Austria	Sch. 22	Indonesia	Rp 3100	Portugal	Esc 100
Bahrain	Din 0.650	Israel	IS 3.50	S. Arabia	Rls 6.00
Belgium	BFr 48	Italy	L 1600	Singapore	S$ 4 10
Canada	C$1.00	Japan	Y600	Spain	Pta 125
Cyprus	C£0.75	Jordan	Fils 500	Sri Lanka	Rup 30
Denmark	DKr 9.00	Kuwait	Fils 500	Sweden	SKr 8 00
Egypt	E£2.25	Lebanon	£1 50 90	Switzerland	SFr 2.20
Finland	Fmk 7 00	Luxembourg	LFr 48	Taiwan	NT $65
France	FFr. 6.50	Malaysia	Rm 4.25	Thailand	Bht 50
Germany	DM 2.20	Mexico	Pes. 300	Tunisia	Din 0.800
Greece	Dr 100	Morocco	Dh 6.00	Turkey	L 500
Hong Kong	HK$ 12	Netherlands	Fl 3.00	U.A.E.	Dh 6 50
India	Rup. 15	Norway	Nkr. 7.00	U.S.A	$1 00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,271 | Monday June 29 1987 | D 8523 A

British bulldogs prowl on Madison Avenue, Page 23

World news — Business summary

S Korea 'may hold' elections this year

South Korea's ruling Democratic Justice party is reported to be considering demands by opposition parties for direct presidential elections before the end of this year.

This would mean that a democratically elected leader could take over when President Chun Doo Hwan steps down at the end of his term of office next February.

The Democratic Justice party, which is drawing up a series of proposals to put to the president, is also considering other alternatives – a referendum to decide the type of government for the country, and a dissolution of the National Assembly, followed by general elections. Page 24

Games 'stay' in Seoul

Juan Samaranch, Olympics Committee president, was quoted in a Barcelona newspaper as saying that the 1988 Olympic Games scheduled for Seoul will go ahead despite the unrest in South Korea.

Deng warns Japan

Deng Xiaoping, the Chinese leader, told visiting Japanese cabinet ministers in Peking that the two countries' relations had developed poorly and warned that Japan must solve several outstanding problems. Page 4

US base blast

Three American soldiers died in an explosion during a demolition exercise at a US training ground north west of Regensburg in Bavaria, West Germany.

New Soviet law

A new law allowing Soviet factory managers more independence from Moscow-based bureaucracy is expected to be passed this week by the Soviet Union's parliament, the Supreme Soviet.

Sri Lankan raid

Sri Lankan security forces killed at least seven men and captured arms and ammunition in a raid on a Tamil separatist guerrilla base on the eastern part of the island.

Portuguese election

The general election campaign in Portugal got under way officially, with the ruling Social Democratic Party trying for an unprecedented outright majority in parliament.

Barbie trial concludes

The two-month trial of former Nazi Gestapo head, Klaus Barbie, for crimes against humanity will conclude in the French city of Lyon this week.

Angola 'siege' town

Angola said that the town of N'giva near the Namibian border was surrounded by South African forces, supported by artillery and helicopters.

West Bank death

An Arab was killed and four other people, including an Israeli soldier, were wounded when shots were fired in a dispute following a land survey on the West Bank.

Movie strike vote

Film and television members of the Directors' Guild of America vote in Los Angeles tomorrow and in New York on Wednesday on whether to strike if no new pay agreement is reached.

Aids 'arrest'

Los Angeles prosecutors will decide tomorrow whether to charge with attempted murder a man who allegedly sold his blood to several blood banks, knowing he had AIDS.

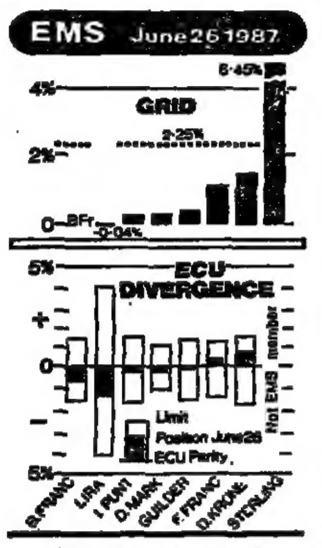
Van Gogh auction

Van Gogh's "Le Pont de Trinquetaille", which will be auctioned in London by Christie's today, is expected to fetch more than $12m.

French, Italian publishers in link-up

FRENCH and Italian publishing groups agreed to a share exchange plan which will give the Italian group, Rcs Editori, a 12.5 per cent stake in a subsidiary of the French group, Hachette, and a 5 per cent interest in Publications Filipacchi. Hachette will acquire a 10 per cent stake in the Italian group. Page 24

EUROPEAN Monetary System: Trading was rather subdued last week. After improving at the start, the US dollar came back to finish at similar levels to the previous week. Consequently there was little change between the D-Mark and the weaker members. Confidence was sufficient to allow another cut in Belgian short term rates, followed by a quarter point cut in the discount rate to 7½ per cent. All currencies were trading comfortably within their divergence limits and showed little overall change on the week.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

PAUL VOLCKER, chairman of the Federal Reserve Board, challenged President Reagan's policy for tackling the US Federal Budget deficit and endorsed the Democratic Party's proposed tax increase. Page 2

TOKYO: The Nikkei market average dropped 147.11 to 24,902.72 in Saturday's half-day session.

STERLING: Temporary fluctuations in the currency may permanently damage British industry, according to a reader in Economics at the London School of Economics. Page 12

BUSH, UK electronics company, is planning a comeback in the colour television market with a Turkish-made product supplied by Polly Peck, trading and manufacturing group. Page 12

ITALY has taken another step towards abandoning exchange controls with draft decrees which would limit its authorities' powers to impose extra controls during a currency crisis. Page 3

FINANCIAL assistance to developing countries fell sharply last year, as higher aid failed to balance the net decline in export credits and bank lending, says the OECD. Page 3

CAR SALES in Britain are expected to reach a record in August when the E registration prefix is introduced, says Glass's Guide, the motor trade monitoring publication. Page 7

MALAYSIA is to increase the targeted level of government participation in the economy to 50 per cent from 30 per cent, Mr Ghafar Baba, the deputy Prime Minister, said.

UK TREASURY yesterday gave the first public warning to cabinet ministers drawing up spending plans that it was determined to maintain restraint. Page 7

Split in 'whites church' deepens divide in Afrikaner society

BY ANTHONY ROBINSON IN JOHANNESBURG

THE DIVISIONS which have undermined Afrikaner unity and Afrikaners' belief in their divine mission as the chosen people of Southern Africa deepened over the weekend with a split in the Dutch Reformed Church.

An estimated 2,000 church conservatives gathered at Pretoria's appropriately named Skilpadsaal, or Tortoise Hall. This turtle-back shaped building was also the venue for the 1982 breakaway of the Conservative Party.

The majority voted to leave the Nederduitse Gereformeerde Kerk (NGK) and form a new breakaway church whose membership is open exclusively to white Afrikaners.

The new church, called the Afrikaanse Gereformeerde Kerk (AGK), sub-titled the Church of Christ for White Afrikaners, is the brainchild of Professor Wille Lubbe, a right-wing conservative theologian. He has spearheaded the conservative attack against the NGK, which, after years of agonising reappraisal of its stand on apartheid and related issues, last year issued new doctrinal guidelines in a document called "Church and Society".

Approved by the General Synod in October last year, the document rejected the church's previous claim of biblical justification for apartheid. Its traditional position not only gave theological backing to National Party racial politics but also justified the existence of three separate reformed churches for whites, "coloureds" (mixed-race), and blacks.

Armed with its new document, the NGK, under its "liberal" moderator Professor Johan Heyns, has declared the NGK church open to all races and has made tentative moves to improve relations with its coloured and black sister churches.

Given the continuing existence of the Group Areas Act, which enforces racially separate residential areas, the practical, as opposed to moral and doctrinal significance, of the move has been extremely limited. The Synod also stopped short of denouncing apartheid as a heresy, a demand put forward by the coloured NGK Sendingkerk under its leader, the Rev Allan Boesak, who is also president of the World Council of Reformed Churches.

But the very idea of racially mixed congregations, and the undermining of apartheid, has proved anathema to many Afrikaners, who last month showed their political opposition to any watering down of "separate development" by giving their political support to the Conservative Party and the Herstigte Nasionale Party (HNP). Together the right gained over 600,000 votes, nearly 30 per cent of the total.

The church split mirrors the political, cultural and social divisions in the once almost monolithic 2.8m strong Afrikaner community. The political divisions – which began in 1969 with the breakaway of the HNP and gathered momentum in 1982 with that of the CP – also extend to the Broederbond secret society. The Broederbond, purged of its right wing after the CP breakaway, is considered dangerously radical by conservatives.

The ironic result is that the National Party, the instrument through which Afrikaners wrested power from the English speakers in 1948, is now kept in power by the votes of non-Afrikaner English speakers. This leaves the Nationalist Government in power while Afrikaners debate and fight among themselves over their future and their faith.

President Botha

The principle issue which divides them is whether their survival is best guaranteed by rigid adherence to apartheid or by the search for alliances across the previously rigid racial lines and the building of a common South African nationalism.

Rule changes on detainees, Page 4

Opec output accord aims to stabilise oil price at $18 a barrel

BY RICHARD JOHNS IN VIENNA

AGREEMENT reached in Vienna by the Organisation of Petroleum Exporting Countries on a collective production ceiling of 16.6m barrels a day (b/d) for the rest of the year should stabilise oil prices at around $18 per barrel in the opinion of senior industry executives and market analysts.

In practice, the rates will be higher because of Iraq's refusal to subscribe to any pact on production control and the probability of continued quota violations by other members, in particular the United Arab Emirates.

The limit of 16.6m b/d, agreed late on Saturday night – a limit of 15.8m b/d was notionally in force in the first half of 1987 – takes these factors into account, including the prospect of Iraq adding 500,000 b/d to its export capacity by September.

Sheikh Ali Khalifa al Sabah, Kuwait's Oil Minister yesterday estimated actual demand for Opec crude in the third quarter to be in the 17.5m-17.7m b/d range and "no more than 18m b/d" in the fourth quarter.

A three-man ministerial committee composed of chief delegates from Nigeria, Venezuela and Indonesia, established to "motivate" compliance with the accord, is expected to visit Baghdad in a bid to obtain some assent from President Saddam Hussein on at least a measure of Iraqi restraint. Its other main preoccupations will obviously be the UAE and Qatar, but it may also visit Kuwait.

Kuwait, very specifically, and Saudi Arabia, more ambivalently, have not counted as part of their quota some 280,000 b/d of oil from the Neutral Zone, which they share and which was made available to Iraq as "war relief crude" – a form of financial aid in kind.

It is believed that Mr Hisham Nazer, Saudi Oil Minister, made an undertaking to Mr Gholamreza Aghazadeh, his Iranian counterpart, to cut volume drastically, but Kuwait – with its oil traffic under constant Iranian attack – has apperently made no such commitment.

The decision on a 16.6m b/d ceiling, reached at a tense but fairly amicable meeting, was a compromise and essentially a negotiating win for Iran backed by Algeria and Libya over Saudi Arabia, supported by Kuwait. The latter had called for a rate of 16.6m b/d in the third quarter, increasing to 18.3m b/d in the fourth quarter as envisaged in the pact concluded last December.

Mr Aghazadeh said that he had convinced Mr Nazer that a 18.3m b/d rate in the last quarter would result in a sharp price decline. He praised his Saudi colleague for dealing with the issue "efficiently and logically."

The Iranian chief delegate also made clear that his country regarded $18 as a floor rather than a ceiling. Although the immediate aim was to make term contracts more attractive to buyers, he said members "should take advantage of higher prices."

Mr Aghazadeh predicted that in the short term, spot prices would be higher than official selling rates. He stressed the need for a $20 per barrel price to compensate for the depreciation of the dollar, a subject discussed here and to be studied in greater detail by Opec's Economic Commission.

Opec appointed a five-member ministerial committee – Nigeria, Algeria, Venezuela, Indonesia and Iran – to monitor prices. It is empowered to call an extraordinary meeting (prior to the next scheduled conference on December 9) to decide "on the necessary Opec production levels during the remaining period of the year which should ensure the desired market stability", should the situation change.

Max Wilkinson in London writes: Oil markets on both sides of the Atlantic have been underpinned for some time by a confident expectation that Opec would agree to limit production to match expected demand for the remainder of this year.

Before the meeting, traders and oil companies were saying that Opec's combined output target would need to be below 17m barrels per day for the rest of the year. The outcome of the meeting is therefore likely to be broadly positive for oil prices.

However, there is little expectation among major oil companies that prices will rise much above the $18 to $20 per barrel range, however much the militant producers, led by Iran, would like this to happen.

This is because increasing oil prices would raise the temptation for OPEC countries to "cheat" on their production quotas, while world demand for oil products would be depressed.

Even a 1 per cent cut in world oil demand could be important for the cohesion of Opec since it could lower demand for its oil by perhaps 400,000 b/d.

Opec's success in maintaining price and production discipline so far this year has surprised many of the larger oil companies.

Iran renews attacks on shipping in Gulf

By Andrew Gowers in London and Stewart Fleming in Washington

TENSION in the Gulf rose another notch at the weekend as Iran resumed attacks on shipping after a five-week lull.

Iranian Revolutionary Guards, travelling in Swedish-made speedboats and based on an island in the Gulf, fired missiles at two oil tankers off the Saudi coast on Saturday: the 224,604-tonne Norwegian supertanker Mia Margrethe, which was carrying oil from the so-called "neutral zone" between Saudi Arabia and Kuwait; and the 273,606-tonne Liberian vessel Stena Concordia, sailing for Kuwait. A total of five crewmen were reported to be injured on the two ships.

The Iranian attacks appeared to be a response to renewed attempts by Iraq, Iran's adversary in the Gulf war, to stop Tehran's oil exports by attacking tankers trading with it.

They are likely to provoke renewed concern in Washington, where the Reagan Administration is putting the finishing touches to a plan to protect Kuwaiti oil tankers by re-registering them under the American flag.

Mr George Shultz, the US Secretary of State, reaffirmed yesterday that this plan is to go ahead next month, despite misgivings in Congress. A delegation of Democratic Congressional leaders is expected to ask President Ronald Reagan to delay the plan this week.

The US has warned of an alleged threat to freedom of navigation in the Gulf posed by Chinese-made Silkworm missiles which Iran is installing close to the strategically important Strait of Hormuz and on

Continued on Page 24

Belgian attempt to clear way for summit accord

BY QUENTIN PEEL IN BRUSSELS

BELGIUM yesterday launched a last-minute effort to reconcile the divided factions within the European Community, and produce clear guidelines for future financing and budget reform from the summit meeting in Brussels today and tomorrow.

The plan leans strongly towards stricter budget discipline and reform of the Common Agricultural Policy (CAP), without promising substantial new funds for regional and social policies – incurring the immediate anger of southern member states.

However, it does keep open the possibility of a whole new financing system for the cash-strapped EC budget, based on national prosperity, and therefore placing a greater burden on rich rather than poor member states.

The Belgian plan was unveiled yesterday by Mr Leo Tindemans, the veteran Belgian Foreign Minister and current chairman of the EC Council of Ministers, at a special pre-summit "conclave" of foreign ministers aimed at averting probable deadlock when the full summit convenes today.

It immediately produced totally conflicting reactions, from Mr Giulio Andreotti, the Italian Foreign Minister, who said it "should be forgotten," to British officials describing it as "a good job of work."

Mr Tindemans confirmed that his plan was no more than "guidelines" rather than conclusions which could command majority support. However, it was greeted with more optimism than other recent efforts to bridge the immediate EC budget gap of some Ecu 5bn to Ecu 6bn ($5.7bn-$6.8bn) – a problem which it does not even attempt to tackle.

Major points of conflict for the summit remain totally unresolved. Apart from the southern states' demand for more generous budget treatment – in return for their willingness to scrap all national barriers to a common market by 1992 – the most urgent is the deadlock on farm prices for the current year.

There was no sign of West German movement yesterday from Mr Hans-Dietrich Genscher, the Foreign Minister, over the threatened veto by Bonn of both cereal price cuts and dismantling the currency protection granted to West German farmers.

The Belgian plan would remove the two most contentious items – the agri-monetary currency reform, and a proposed tax on vegetable and marine oils and fats – from the farm price package. That is strenuoulsy opposed by France, and the European Commission, who regard the package as indivisible.

The minority blocking the oils and fats tax – made up of Britain, Denmark, the Netherlands and West Germany – remains adamant that it would be disastrous for trade relations with the US and other external suppliers.

A major difference remains on how to tackle the budget crisis. Mr Genscher proposed on Saturday a "three-stage rocket" approach, covering first the immediate budget hole in 1987 and the farm price package: second, providing a transitional agreement to finance the equally gaping spending hole in 1988: and finally promising an overhaul of the total system for 1989.

Continued on Page 24

Thatcher and Gonzalez may be called into Gibraltar talks

BY QUENTIN PEEL IN BRUSSELS AND DAVID WHITE IN MADRID

MRS MARGARET THATCHER, the British Prime Minister, and Mr Felipe Gonzalez, her Spanish counterpart, may be called on today to resolve the dispute over air traffic rights in Gibraltar which threatens to abort an agonisingly negotiated air liberalisation pact for the entire European Community.

High-level officials from the two EC member states tried and failed at the weekend to settle the problem, which led to a dramatic Spanish veto of the air transport package last week. An emergency meeting of EC transport ministers has been summoned to take place in Luxembourg tomorrow in a desperate attempt to have the Spanish blockage lifted before June 30, the last day of the current Belgian chairmanship.

But in Madrid, Mr Abel Caballero, Spain's Transport Minister, was pessimistic about prospects for agreement in the renewed ministerial talks planned early next week. Spain insists that classification of Gibraltar as a UK airport would prejudice its claim to sovereignty over the territory, as well as prejudicing bilateral negotiations over its joint usage, and is demanding that Gibraltar be exluded from the scope of the new competition rules.

The British response has been to insist that it must be included, but that a formula can be found to state that the new rules do not prejudice any bilateral negotiations on Gibraltar's ultimate sovereignty.

El Pais, a leading Spanish daily newspaper, identified with the current Spanish Government, charged Britain with "operetta imperialism" and "intransigence" over the Gibraltar question. It placed the onus for breaking the deadlock in negotiations on the Thatcher Government.

Officials in Brussels now fear that without the intervention at least of the British and Spanish foreign ministers at today's EC summit, and probably the two prime ministers, no agreement will be reached.

"This row about Gibraltar could mean a delay of at least a year in getting the airline measures agreed," one official said yesterday. The problem is that on July 1 the Single European Act comes into force, which introduces a whole new procedure for decisions on transportation – including majority voting, and special consultation with the European Parliament.

The 12 member states have taken years to reach their current level of agreement, and there is undisguised irritation that the Spanish problem was raised only at the last minute in the negotiations. However there is also sympathy for Spain in dealing with a problem many regard as a colonial hangover.

Franco-British negotiations on joint civilian use of Gibraltar's RAF-controlled airport have been bogged down since the two sides agreed to talk on this and other Gibraltar issues in 1984. Spain has sought an arrangement modelled on Basle-Mulhouse airport on the French-Swiss border, which would enable Spanish nationals to fly from Gibraltar without first having to pass through British passport control and customs.

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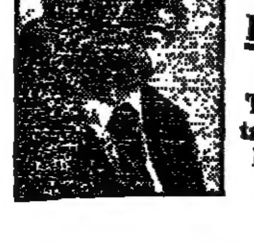


THE MONDAY PAGE INTERVIEW

Terry Dodsworth talks to Karlheinz Kaske, Siemens chief, Page 14

Fresh row hits talks on US bases in Greece

BY ANDRIANA IERODIACONOU IN ATHENS

THE START of negotiations on the future of the four US military bases in Greece has received another setback with the eruption of a diplomatic row betwen Athens and Washington over American allegations of Greek Government bargaining with terrorist groups.

According to the Greek Government, Mr Robert Keeley, US Ambassador to Athens, "raised issues relating to supposed contacts with terrorist groups, with the purpose of avoiding bomb attacks on Greek soil "during a meeting last Thursday with Mr Karolos Papoulias, the Greek Foreign Minister."

Athens demanded on Saturday that the allegations be withdrawn and warned that *talks on the bases issue could* not start unless the issue were cleared up.

A Government spokesman described the allegation as "ridiculous, unfounded, slanderous and suspicious." Terrorism has constituted a particularly raw nerve for the Greeks since 1985 when the US imposed a brief but highly-damaging travel advisory notice against Athens airport following the hijacking of a TWA jet by Arab gunmen.

Preliminary talks on the bases to decide further negotiating procedure were expected to start last spring. They were put on ice by Athens, however, following the March crisis with Turkey over oil exploration *rights in the Aegean Sea.*

Greece blamed Washington for having allegedly given Ankara the "green light" to despatch an oil exploration vessel into Aegean international waters.

The base for the talks appeared to be put back on track in a meeting in Reykjavik earlier this month between the Greek Foreign Minister and Mr George Shultz, US Secretary of State, and were generally expected to start last week. It is now unclear when they will begin.

The present agreement on the bases operation was signed in 1983 and expired in December 1988. The Greek Socialist Government which *came to power in 1981 pledging* to close the bases, has said it will seek a referendum before finalising a new agreement extending the bases tenure. The bases support the US Sixth Fleet and monitor Soviet activity in the Eastern Mediterreanean.

David White adds from Madrid: US and Spanish negotiators were believed to have made little progress in two days of high-level talks in Madrid on the future of Spain's four US military base facilities.

It was the sixth such round since last July, in the wake of the referendum held by Spain's Socialist Government for remaining in Nato on condition that the US *military presence* was reduced.

Spanish Foreign Ministry officials said, however, that they still hoped for a preliminary accord by November, enabling the two countries to renew the bilateral defence agreement which expires in May 1988.

Spain's demands centre on the removal of a tactical air wing comprising 72 F-16 fighters, stationed at Torrejon outside Madrid. It has made clear these would have to be moved out of Spain and not simply transferred to the standby US air base at Moron in the south. A further session of talks has been set for September.

Danes seek EC aid in meat row

BY HILARY BARNES IN COPENHAGEN

Denmark has appealed to the EC Commission to support its protests against a ban by Canada on its meat exports.

The Canadian step follows a veterinary inspection of all 34 *Danish slaughterhouses.* Only two were approved by the Canadians. The rest were said to fail hygiene requirements.

The Danish meat exporters regard the Canadian action as an example of the use of veterinary regulations for trade policy purposes. "There is no question of a health hazard," Mr A Toft Fensvig, managing director of the Danish Slaughterhouses Association, said.

Danish meat exporters believe the Canadian action is *in retaliation against the EC,* whose veterinary inspectors have only approved exports to Europe from a handful of Canadian meat processing companies.

Mr Uffe Ellemann-Ensen, Denmark's Foreign Minister, said the Canadian action was unacceptable. "I am sure we can obtain an understanding with Canada with the assistance of the EC, as Canada also exports to Europe. It is therefore in the interests of both parties to treat each other correctly."

Mrs Britta Schall Holberg, Denmark's Agriculture Minister, has pointed out that the EC gives slaughterhouses abroad seven months to iron out any such problems.

She said Canada should give the same licence to the Danish slaughterhouses.

Sweden drops insider probe

BY KEVIN DONE IN STOCKHOLM

THE PUBLIC Prosecutor's Office in Stockholm has dropped its investigation of Mr Refaat el-Sayed, the discredited former majority shareholder and chief executive of Fermenta, for alleged insider trading at the beginning of 1986.

The move by the prosecutor to drop the case is the first positive development for Mr el-Sayed since he was ousted from control of Fermenta, the scandal-beset antibiotics and chemicals group, at the end of last year.

Mr el-Sayed is still under investigation on several more serious counts, however, including fraud, book keeping crimes and breaches of Sweden's Companies Act.

The Swedish banking inspectorate is also still conducting a much more far-reaching insider trading probe into transactions made by a number om Fermenta employees and board members.

Brazil acts on Sarney attackers

By Ivo Dawnay in Rio de Janeiro

THE BRAZILIAN Government has reactivated long-dormant police powers to track down those responsible for a violent stone-throwing attack on President Jose Sarney.

The incident, which alarmed senior military ministers for its viciousness, unprecedented in recent Brazilian history, occurred in Rio de Janeiro during a presidential visit. A small but highly vociferous crowd demanding economic reforms and direct presidential elections began hurling rocks at short range at a coach carrying the President, smashing the window where he sat and injuring at least one person.

Brazil's lack of experience of political violence after 21 years of military dictatorship has provoked a tough response from the authorities, who have now warned that suspects may be held for five days incommunicado and could be tried by a military court.

Officials have indicated their suspicion that activists of CUT, the left-wing trade union confederation, and supporters of Mr Lionel Brizola, the former Rio governor, were behind the attack.

Volcker challenges Reagan's policy on budget deficit

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

MR PAUL VOLCKER, Federal Reserve Board chairman, has directly challenged President Ronald Reagan's policy for tackling the huge US federal budget deficit, and *strongly* endorsed the tax increase proposed in the Democratic Party's plan for deficit reduction.

Paul Volcker . . . outspoken *criticism*

Questioned in Colorado about the tax increase of about $19bn (£11.8bn) contained in the 1988 fiscal year Congressional budget resolution, Mr Volcker said: "I think it will have a wholly constructive influence in terms of the security of the (financial) outlook (and) trade picture."

Mr Volcker, who retires as Fed chairman in August, when he will be replaced by Mr Alan Greenspan, a New York economist said that addressing the budget deficit problem should be "front and centre", on Congress's agenda this summer.

"The problem, I suppose, in a democracy all the time is whether you can do enough at the right time in the absence of a crisis. I do not think we can afford to generate a crisis to spur Congressional action, but sometimes you almost wish that was the case."

President Reagan has been campaigning strongly against the tax increase in the Congressional budget resolution. His position is seen in part as a reflection of his own deep political convictions about taxes and government spending.

But it is also part of Republican Party strategy to try to paint the Democratic Party as the party of higher taxes and an attempt to bolster *Mr Reagan's own fading* political prestige.

Over the next few weeks, fiscal policy is expected to become a central issue on Capitol Hill, because Congress must pass a new law to increase the current limit on the federal debt.

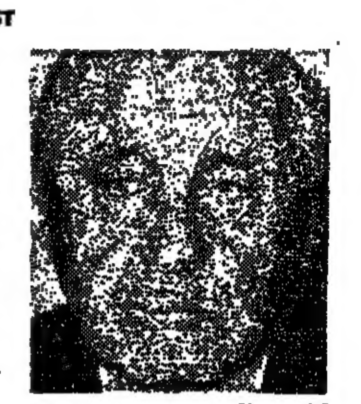
Hungarians face last days of good life as reform debate rages

BY LESLIE COLITT IN BUDAPEST

HUNGARIANS are enjoying what remains of the good life in spite of the continued slide of the economy and the reshuffling of the leadership under Mr Janos Kadar on Thursday.

But chic fashion boutiques and tables groaning with the choicest of food in Eastern Europe cannot conceal the economic malaise.

Hungary's $650m balance of payments deficit in the first five months showed no improvement over the same period last year. Net foreign debt is expected to rise to $8.5bn at the end of this year with debt servicing of nearly $1bn devouring hard currency export earnings.



Janos Kadar—wrestling with economic reform

While western banks and the IMF continue to express confidence in Hungary, the leadership is being urged by its economic advisors to adopt wide-ranging reform measures.

They would bite deep into the much acclaimed Hungarian standard of living. Thus a debate in the party's upper echelons rages on how much belt *tightening* Hungarians will take without a political backlash.

Already, they have suffered a decline in real incomes since 1979 which, however, has been masked by income from the additional jobs Hungarians hold.

If all goes well and the advocates of decisive reform have their way, the Hungarian Communist Party next month will present the national with a two-phase reform package. Details of the long-delayed "socio-economic programme" are still being thrashed out in the ruling Political Committee.

As outlined by senior party officials and the Government's economic advisors, it would consist of a three-year stabilisation programme, desiened to deal with the causes of the economic *reversal.*

At the root of the current economic problem is the inability of Hungarian industry to compete internationally. In part, this is the result of subsidising inefficient companies with the tax revenues from profitable firms.

Under the short-term programme, it is envisaged that subsidies would be reduced by 25 per cent *annually, and would* cease to exist by 1991 except for essential services and the defence sector.

Mr Ivan T. Berend, president of the Hungarian Academy of Sciences and an influential Government economic advisor, said the authorities were now coming to realise that meaningful reforms meant that structural unemployment was *unavoidable although* everything would be done to limit it.

The second and no less hotly debated part of the reform package would consist of major price and wage reforms to be implemented in stages by the early 1990s. A wage reform based on wider income differentiation—to each according to his output—has long been advocated in theory by the party *but never set down* as a concrete goal.

The price reform would aim to achieve more realistic world market prices, especially for Hungarian producers to force them to compete internationally.

The party leadership has resisted proposals by economists to slash subsidies more quickly and accept a larger amount of initial unemployment. Hungary's planning chief Mr Laszlo Marothy, a member of the Political Committee under Mr Kadar said in an interview last week that the leadership could not tolerate an avalanche of joblessness. But it realised that *industrial restructuring* would lead to employment "problems" in certain areas.

"With the money saved from subsidies," he suggested, "we can create new jobs."

But the backers of decisive reforms argue that inflation-plagued Hungarians have grown hostile towards the economic reforms and can only be rallied behind a new reform programme by measures *to democratise* Hungary's political institutions.

These would include a new personnel policy, Mr Berend noted, to assure that responsible political and economic positions are filled on the basis of merit and not wire-pulling. He and other reformers urge a stronger control over the Government's (and party's) activities by other institutions such as Parliament and the People's Front. They also argue for a greater emphasis on human rights.

Mr Berend noted that Gorbachevian reforms in the Soviet Union have paved the way for more radical reforms in Hungary. But in addition, to the innate caution of the leadership, which wants political stability above all, the poor state of the economy is a powerful barrier to meaningful reforms. At present he said the deteriorating economy meant that state intervention—"which always runs counter to reform" — is a necessary evil.

The father of Hungary's economic reforms, Mr Reszoe Nyers, noted the Hungarian leadership was now paying *dearly for its past delays* in pursuing them.

Despite nearly 20 years of economic reforms which Mr Nyers initiated, Hungary, he said, was still left with a "pseudo-market economy" in which the Government regulated almost everything.

Hungarians, he remarked in an interview, had grown sceptical about their leaders and the closed manner in which decisions were taken. He wondered aloud whether the party had the courage to explain to the population why sacrifices were needed.

FINANCIAL TIMES

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OVERSEAS NEWS

Italy takes step to end exchange controls

BY JOHN WYLES IN ROME

ITALY'S CARETAKER Government has taken another step in the country's slow march towards abandoning all exchange controls with draft decrees which would limit the authorities' powers to slap on new controls during a currency crisis.

Despite some controversy as to whether a caretaker government had the authority, Mr Mario Sarcinelli, the Foreign Trade Minister, has secured adoption of the decrees by his colleagues on the grounds that any further delay would breach the timetable laid down by a framework law passed by Parliament last autumn.

Although there is a solid intellectual consensus in Italy now that exchange controls must become a thing of the past, the move towards liberalisation is taking place against the background of deteriorating trade and current account balances which could put the lira under pressure and complicate the entire process.

According to figures released at the weekend. Italy's trade balance showed a deficit of L1,411bn (£666m) in May with a 2.5 per cent rise in value of imports and a 0.3 per cent fall in the value of exports. The country's trade surplus on non-oil goods has fallen to L59bn from L466bn in the same month last year.

Although the Government relaxed a number of important exchange controls in May, the new decrees make it clear that a fully liberalised system will only appear with the completion of the European Community's internal market—set for 1992.

Until then, private citizens and companies will have to channel their foreign exchange transactions through the authorised banking system and their freedom to hold foreign exchange will remain limited to a fixed period.

If a government is faced with the need to bring in temporary restrictions "because of the lira's difficulties on foreign exchange markets or because of disequilibrium in the balance of payments," the new decrees envisage a variety of emergency measures ranging from restrictions on the banking system to curbs on investment abroad.

However, the decrees specifically rule out a recourse to the recently abandoned non-interest bearing deposit on Italians' purchases of foreign securities and to a two-tier currency market involving "financial" "commercial" liras operating at different exchange rates.

Communists choose Occhetto as deputy leader

BY OUR ROME CORRESPONDENT

THE Italian Communist Party (PCI) confirmed Mr Achille Occhetto, 51, as its "leader in waiting" at the weekend after one of the most dramatic public squabbles in its history.

Although much more indulgent than it once was about pblicising its internal divisions, the party has not before had such a grandstand row under the pblic gaze. It was nexpectedly sparked on Thrsday by Mr Alessandro Natta, the party leader, who announced that he would be nominating Mr Occhetto as vice-secretary—which pts him first in line to take over the leadership whenever Mr Natta, 69, decides to stand down.

After publicising their highly critical speeches, the PCI's right wing maintained their opposition to Mr Occhetto, but their 41 votes on the party's central committee were swamped by the 194 in spport of Mr Natta's choice. It remains to be seen whether the party's tradition of niting behind a decision once taken, holds i the case of Mr Occhetto.

The right wing have been badly out-manoeuvred by Mr Natta who forced a leadership decision on the party which *many thoght would arrive only* after weeks of inqest into the PCI's defeat in the recent general elections.

The conclusions drawn are vital for the PCI's future role. Mr Occhetto's election as deputy leader makes it more likely that the party will sharpen its role as a vehicle *for political and industrial* protest and in opposition to the government of the day. An opening towards the Socialist Party, desired by the PCI right-wing, would then be much less likely.

Long a favourite to succeed Mr Natta, Mr Occhetto is the product of a generation whose careers were moulded by Mr Enrico Berlinguer, the dynamic PCI leader who died in 1984. A short stock man with a mane of brown hair and a greying moustache, Mr Occhetto has long been on the left of the PCI, although he may move towards the centre, as did Mr Berlinguer, once he becomes leader.

Born in Turin of a middle-class background, the PCI vice-secretary has spent his entire life as a party official, having run the PCI's youth movement in the 1960s, been secretary of its Palermo section in the 1970s and, more recently, been co-ordinator of the secretariat.

Since he is very much the candidate favoured by the party machine, there are real doubts as to whether Mr Occhetto will be able to make the changes in the party's organisation and strategy which might help arrest the decline which has set in since it won a peak 34.4 per cent of the vote in 1976. Its share in this month's election was only 26.8 per cent.

Alessandro Natta . . . wins the day on new appointment

Resign call deals blow to Waldheim

AUSTRIAN President Kurt Waldheim received an unprecedented political blow when the powerful *Vienna* section of the dominant Socialist Party called for his resignation over the weekend, Reuter reports from Vienna.

Mr Waldheim, 68, has been accused by critics of covering up his role with the German Army in the Second World War and the Vienna regional congress of the SPOe voted to demand his resignation from the office to which he was elected a year ago.

Delegates approved the resolution over objections from the leadership of the SPOe, which rules in coalition with the conservative People's Party (OeVP).

A day earlier Mr Waldheim returned from an audience with the Pope in the Vatican, which his supporters hoped would end his international isolation since he became head of state.

Mr Waldheim, the former UN Secretary-General, has been under fire from the United States and other Western countries and Jewish organisations over allegations, which he denies, that he concealed his role with the German Army during its Balkans campaign in the Second World War.

Financial aid to Third World falls sharply

BY GEORGE GRAHAM IN PARIS

FINANCIAL resources provided to the developing world fell sharply last year, as higher official aid failed to balance the continued net decline in export credits and bank lending.

Official aid from the Western industrialised nations rose to $37bn (£23bn) compared with $29.4bn in 1985, according to figures published today by the Paris-based Organisation for Economic Co-operation and Development.

Most of the increase is due to the depreciation of the *dollar*, the OECD notes, and after adjusting for exchange rate changes and for inflation the total volume of aid is estimated to have risen by 2.5 per cent.

Export credits are no longer a significant net source of development finance, the OECD said, while bank lending to the developing countries more than halved last year and bond finance stagnated.

Members of the Development Assistance Committee (DAC), which includes 18 OECD member countries as well as the European Community, devoted a combined 0.36 per cent of their gross national product to aid, up from 0.35 per cent in 1985 but still barely half the 0.7 per cent target set by the UN.

Only four countries have exceeded the target of applying 0.7 per cent to aid: Norway (1.2 per cent), the Netherlands (1.0 per cent), Denmark (0.89 per cent) and Sweden (0.85). France has reached the target if aid to its overseas departments is included.

Mr Joseph Wheeler, DAC chairman, said the committee was pleased that private charitable aid had remained at *around* $3bn, and *that aid from* oil-producing nations, especially Saudi Arabia, had started to pick up again.

Aid from members of the Council for Mutual Economic Assistance had risen by an estimated 20 per cent in current dollars to $4.2bn, *he said*.

Mr Wheeler said the committee had been startled by the sure in aid from Italy last year. Official Italian aid more than doubled in dollar terms to $2.42bn, an increase of 59 per cent even after allowing for inflation and for the depreciation of the dollar against the lira.

Scandinavian group signs protocol with Soviet central bank

BY KAREN FOSSLI IN OSLO

BERGEN Bank, Norway's third largest bank, together with its Scandinavian bank partners consortium of two-and-a-half years —Privatbanken, SE Bank, and United Bank of Finland have signed a "protocol" agreement with the Soviet Union's central bank, Gosbank, and the Russian foreign trade bank.

According to Mr Oddvar Sten Ronsen, representing Bergen Bank's participation in the agreement, "the idea of the protocol is to establish a platform for financial advice to Nordic companies seeking joint ventures with Soviet organisations." Mr Ronsen said that the Soviets have already signed 10 similar agreements with other European banks recently.

Of its Nordic banking partners, Bergen Bank is fully accredited for operations in Russia. Mr Ronsen believes that it is against this background that Bergen Bank was invited by the Soviets to participate in the protocol agreement.

Mr Ronsen says that he does not foresee expansion beyond the infrastructure which Bergen Bank has already established in the Soviet Union. In Sweden and in Finland two joint venture agreements have already been signed although representatives from banks in these countries were not available for comment yesterday.

"We expect Norwegian companies to come forward to show interest in establishing joint ventures with the Soviets—but *it will take some time because* the conditions upon which such joint ventures can be established are not yet documented."

Mr Ronson also pointed to the oil industry in which the development of offshore oil and gas fields, especially in the Barents Sea where both the Norwegians and the Russians have just begun to explore, and the development of the Kola peninsula, through joint ventures could be another way of co-operating with the Soviets.

"Previously, co-operation was based on exports but it might be that joint ventures could be the new way of co-operation," he suggested.

In this sense, Mr Ronsen said, the Bergen Bank agreement with the Soviets is of particular interest because "we are ready to go into the financial aspects, which is crucial to joint ventures because key questions surrounding investment will be critical to major decisions."

Organisation of the new co-operation will comprise a joint venture working party on finance where *members of* the Soviet banks and the four Nordic banks will prepare financial instruments, and analytical *tools to underpin these. Meetings* are formally scheduled for at least once a year although other ad hoc meetings can be expected. *For example*, Bergen Bank might have direct bilateral contact with the Soviet banks and the same would go for the other banks in the other countries.

"I think this development is startling because they (the *Soviets*) *really mean business* . . . it is monumental in historical terms," said Mr Ronsen.

Daimler-Benz finds a new Japan niche

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

DAIMLER-BENZ of West Germany will launch its commercial vehicles in Japan for the first time at the Tokyo Motor Show in October.

The group is the world's largest producer of heavy vehicles (over 6 tonnes gross weight) and the Japanese venture is in line with its philosophy of being present in all parts of the world—however difficult individual market conditions might be.

For example, Daimler-Benz is the only European company still selling commercial vehicles in the *Far East*, an area dominated by the Japanese producers.

For some time, the company has been among the *leading car* importers in Japan, and 18 months ago set up its own commercial vehicle import company there to look for market niches where it could sell profitably in spite of being on the Japanese manufacturers' home ground.

The first vehicles to be launched by Daimler-Benz in Japan will be medium vans fitted out as luxury air-conditioned minibuses. Daimler-Benz believes it can sell about 200 of the buses a year.

In Europe, Daimler-Benz will launch medium vans from its joint venture with Mitsubishi of Japan at the end of next year. Versions of the new Mitsubishi one-tonne vans, incorporating the West German group's engines, will be produced by Daimler-Benz's Spanish subsidiary.

Mr Gerhard Liener, manager and board member responsible for the commercial vehicle division, said the vans will be exported *from* Spain to most European markets but not the UK, because there were no plans for right-hand-drive versions.

Discussing the deal signed earlier this week by Volkswagen to produce Toyota pickups in West Germany. Mr Liener said he doubted if European tastes would change enough for Europe to absorb the planned 10,000 output.

Daimler-Benz, therefore, had no plans to add a Mitsubishi pickup to its range produced in Spain.

Nicaragua plan extended to Latin neighbours

BY DAVID GARDNER IN MEXICO CITY

LATIN AMERICA'S "integral plan" to bail out Nicaragua will be extended to the Sandinistas' neighbours in Central America, and will possibly involve "several" countries from outside Latin America.

Argentina and Mexico are the axis of the plan. Mr de la Madrid is expected to meet here with Presidents Jose Sarney of Brazil and Jaime Lusinchi of Venezuela in coming weeks.

Senior Mexican and Latin American officials, though acknowledging a setback with the collapse of the Central American summit due to have taken place in Guatamala this week, are nonetheless cautiously optimistic about its chances though now more reserved about its timing.

The formal existence of the plan was confirmed publicly for the first time by President Raoul Alfonsin after his meeting with President Miguel de la Madrid in the Mexican Pacific coast resort of Ixtapa late last week.

A senior Mexican official insisted that the plan, conceived to help wean away Nicaragua from its dependency on the Soviet Union, and thereby meet US security concerns in the region is "much more ambitious" than a scheme to provide oil for Nicaragua.

The plan, first mooted by President Alfonsin in August, 1985, was revised after Moscow last month made clear to the Sandinistas it would no longer fully meet Nicaragua's fuel needs.

The Mexican official said the plan included the possibility of soft credits, foreign investment funds, preferential treatment for Central American exports and floor prices for their main products, such as coffee.

It is not clear which non-Latin American countries are being approached to participate, but Latin American diplomats identify France and Spain as two possible candidates. President Julio Sanguinetti, of Uruguay, held talks in Paris recently with President Francois Mitterrand, while Nicaraguan vice-president Sergio Ramirez has just concluded an official visit to Spain.

Both countries have played high profile roles in this region before, France through its 1981 joint declaration with Mexico legitimising the Salvadorean insurgency, and Spain, through Prime Minister Felipe Gonzalez's role as intermediary in the so-called Carter Peace Plan of 1980.

The extension of the plan to cover all Central America, some Latin American officials believe, will help draw in wider support, both outside and inside Latin America, where Brazil, for instance, is said by Western diplomats to be wavering.

The central idea, Mexican officials say, is to turn the region into a neutral zone—an idea echoed by President Daniel Ortega of Nicaragua in an interview published this week by the Mexican daily Excelsior.

This idea, of "giving viability to the Central American economies . . . options outside a sole source of provisions" is indeed ambitious, given that El Salvador and Honduras, Washington's firmest allies in the region, will together receive over $1bn in direct US aid this year, while Moscow's subvention to Nicaragua is thought to exceed $500m.

Panama recalls envoy

PANAMA has recalled its ambassador to Washington for consultations, citing US Senate interference in its interal affairs, Reuter reports from Panama City.

President Eric Arturo Delvalle's office announced the "urgent" recall of Ambassador Dominador Kaiser Bazan in a statement released on Saturday night.

Delvalle also called a resolution passed by the US Senate on Friday "inconceivable and unacceptable."

The Senate approved a non-binding resolution calling for democracy in Panama and an independent probe into charges that senior Panamanian military officers have been linked to corruption and other illicit activities.

"The Panamanian Government vigorously rejects the intolerable interference of the Senate of the US in the internal affairs ofthe Republic of Panama." Delvalle said

Panama's powerful military accused the Senate of medling in this country's internal affairs and of serving as what it called a "centre for political conspiracy against Panama."

Argentine currency takes a sudden dive

By Tim Coone in Buenos Aires

THE ARGENTINE currency, the austral, fell by 10 per cent against the US dollar on the parallel market in the last three days of last week, after three months of relative stability.

Although officially illegal, the parallel foreign exchange market operating in Buenos Aires is freely tolerated and is widely considered a barometer of economic stability and public confidence in the Government's policies. Yesterday the official rate for the dollar was 1.784 and the parallel rate 2.20.

The sudden fall in value follows a series of mini-devaluations of the official rate amounting to 10 per cent over the past month, and a decision by the central bank this week sharply to reduce new issues of government bonds which have been the rage of the local financial markets over the past months.

The bonds are inflation-proofed by indexing either to the consumer price index or to movements in the value of foreign currency bonds which tend to reflect the parallel rate for the US dollar.

Over Australs 1bn (£360m) worth have been issued since their launch in April, and have become one of the principal tools of the central bank in controlling money supply over the past quarter. According to local financial experts, the bonds can give a return in real terms of up to 20 per cent per annum.

The central bank has given no reason for the sudden reduction in bond issues, but unofficially it is thought to be due to the mounting criticism of the bank's policy of selling the bonds at substantial discounts of up to 10 per cent to attract buyers.

● Mr Juan Sourrouille, Argentine Economy Minister, has left for the US for talks with creditor banks and the International Monetary Fund aimed at obtaining the release of loan funds, the semi-official news agency Telam said, Reuter reports from Buenos Aires.

It said Mr Sourrouille would urge the Fund to release a $480m compensatory loan for falling exports as well as the first two tranches of a standby loan, totalling $450m.

Leading Chinese dissident calls for 'genuine democratisation'

BY ROBERT THOMPSON IN PEKING

PROFESSOR FANG Lizhi, the controversial astro-physicist, sometimes known as "China's Sakharov", has invited further punishment from the Communist Party by calling for genuine democracy in China.

Prof Fang was accused of inciting the series of student protests that swept China several months ago. He was expelled from the party, dismissed from his post and pilloried by the state-run media.

On returning from a physics conference in Rome, the professor said on Saturday that "democracy" does not belong solely to the West and that without "democratisation" in China "there can be no modernisation".

"There are many things that belong to all of us. For example, we cannot say there is Chinese physics and western physics. There are basic concepts that do not change. I think democracy is one of those basic concepts," he said.

The professor told foreign correspondents that he had advised students not to protest late last year, but challenged the party to move against him by emphasising that he supported the students' calls for "freedom and democracy".

Deng Xiaoping

Prof Fang was explicitly condemned by the Chinese leader, Deng Xiaoping, who criticised other party officials for not having been tougher on him.

Subsequently, the professor was vilified for advocating the "total Westernisation" of China and for being a leading "bourgeois liberal".

He denied supporting "total Westernisation", but is in favour of opening up the country in "all directions". Prof Fang said he is not clear what the party means by "bourgeois liberalism", which has been under attack for several months, and seems to mean "western influence".

Diplomats suspect that the professor was allowed to travel abroad because the Government is concerned that China will be punished by international scientific bodies if it is seen to be punishing scientists. After Fang Lizhi was expelled from the party, US scientists requested and were given permission to visit him at his home.

However, he was disappointed at being refused permission to attend a major symposium in England: "I think it is a pity that there are no Chinese delegates there."

Asked whether he thought the student demonstrations have hurt China's reform program by providing Communist conservatives with ammunition against change, he replied: "I don't think so. The student movement has made people more aware of the need for China to change."

Pretoria alters rules covering detainees

BY ANTHONY ROBINSON IN JOHANNESBURG

THE SOUTH AFRICAN Government has altered the rules covering the treatment of those detained without trial under the state of emergency regulations.

In future they will be treated like prisoners awaiting trial. They will be compulsorily medically examined after arrest and before release.

They will be segregated from ordinary criminal prisoners and will not be held in police lock-ups for more than 14 days after detention. They will also be allowed to study approved correspondence courses and write and receive censored letters.

An estimated 2,000 people are still detained under the emergency, which was extended for another 12 month period on June 11.

Some have now been inside for over a year. Most complaints of physical abuse and bad treatment have related to the initial stages of detention, and the 14 day limitation on detention in police lock-ups appears to be aimed at curbing these abuses.

The changes have received a guarded welcome from civil rights lawyers along with calls for the total abolition of detention without trial.

● Reuter reports from Johannesburg: The South African army confirmed yesterday that it had conducted a propaganda campaign against the African National Congress (ANC) guerrilla movement involving the distribution of thousands of booklets overseas.

It was reacting to a report in the local Sunday Times newspaper which disclosed the army's role in a supposedly secret operation against the ANC, fighting a guerrilla war against white domination in South Africa.

The Sunday Times said some of the booklets containing gruesome photographs of victims of ANC attacks had turned up in Australian primary schools, causing an outcry.

Confirming its involvement in the project, the South African Defence Force said every country had the right to defend itself against atrocities, terrorism and propaganda.

"The aim of the publication was therefore to convey the true nature of ANC atrocities to the outside world and to make it widely known that the ANC is no different to any other terrorist organisation," it said in a statement.

Abe challenges for ruling party leadership

BY PETER BRUCE IN TOKYO

● Abe (left): energetic

MR SHINTARO ABE, a former Japanese foreign minister and senior official in the ruling Liberal Democratic Party, has entered the race to succeed Mr Yasuhiro Nakasone as party president and prime minister.

Mr Nakasone's extended term in office expires at the end of October, and an election within the party for a new leader is almost certain to be held within the next four months.

Mr Abe, 63, is one of the three so-called "new leaders" who have been waiting for some time to take over from Mr Nakasone. The others are Mr Kiichi Miyazawa, 67, the finance minister, and Mr Noboru Takeshita, 63, the former finance minister and now LDP secretary general.

Mr Takeshita has already declared his candidacy, as has Mr Susumu Nikaido, 77, who is the leader of the largest faction within the LDP, the Tanaka faction. Mr Takeshita, who is also a leading member of the Tanaka faction, is expected to break away and set up his own faction in the near future.

Mr Abe made his declaration at a political meeting of his own faction on Saturday night, unveiling a "thesis on the creation of a new Japan," emphasising economic development aimed at mental enrichment rather than material gain.

The leadership campaign is unlikely to be fought on ideological grounds. None of the new leaders would, if elected, halt the drive started by Mr Nakasone to transform Japan's economy into one less dependent on exports and more driven by domestic demand. On the contrary, they would all probably be more liberal in using government spending

Mr Abe is not known for any particular views. He was an energetic foreign minister, priding himself on having visited 39 countries between 1982 and last year. In a recent newspaper profile, his wife was quoted as describing him as follows: "Although he is somewhat perverse, he may be easy to deal with once one gets the knack of it."

He was left out of the current Nakasone Cabinet and became chairman of the LDP's executive council last September. However, he was back in the limelight in April, flying to Washington in advance of the Prime Minister's official visit what the Japanese Government had to do to placate an administration and congress that were increasingly enraged about Japan's trade surpluses. The results were a Y6,000bn (£25.8bn) economic stimulation programme and Japanese Government backing for $20bn in new loans to developing countries.

Deng warns Japan of tensions

BY ROBERT THOMSON IN PEKING

DENG XIAOPING, the Chinese leader, yesterday told visiting Japanese Cabinet ministers that relations between the two countries have developed poorly and warned that Japan must solve several outstanding problems.

Tension between China and Japan has risen significantly in recent months, with Peking claiming that "militarism" is on the rise in Japan and, most recently, complaining that Deng was insulted by a senior Japanese Foreign Ministry official.

When he met the visiting Japanese delegation in the morning, the Chinese leader obviously embarrassed his guests by noting that some Japanese think "my head is in the clouds" and that "I am an old man"; "in China we have a phrase for people like that—old muddle-head."

The Chinese leader was referring to remarks by the Foreign Ministry official, who has since resigned, that he did not have a good grasp of the realities of foreign policy.

"Contacts between our two countries have grown but, frankly speaking, are not so satisfying to our side. Japan could and should have done a lot more in terms of both the present and the future," Deng said.

Relations are likely to become more tense with activities planned here in coming weeks to commemorate the beginning of the Sino-Japanese war on July 7, 1937. Coincidentally, while Chinese and Japanese Cabinet members met in Peking other Chinese officials were attending a conference on the war.

The Chinese have been irritated by a Japanese court finding that a Chinese dormitory in the Japanese city of Kyoto belongs to Taiwan and not mainland China. Deng said yesterday that the Japanese Government must intervene in the case for the sake of good relations.

Zhao Ziyang, China's Premier, said the economic problems, such as a continuing trade surplus in Japan's favour and the lack of technology transfer from Japan, must be solved, but the political problems, such as the court decision, are even more important.

Peking-backed group takes over HK duty-free outlet

BY DAVID DODWELL IN HONG KONG

THE CHINA-BACKED Fiu Fat Investment Corporation has agreed to pay the Hong Kong Government HK$4.8bn (£378m) for an eight-year franchise to operate the duty-free outlet at Hong Kong's Kai Tak airport, displacing the Duty-Free shoppers company for the first time in 26 years.

Mr John Monteiro, regional president of Duty-Free Shoppers, at the weekend said he was "astonished and amazed" at the Kiu Fat bid. He predicted that the business would be "extremely unprofitable." Kiu Fat will take over from duty free shoppers on September 1. Mr Monteiro said he would unveil future plans early this week.

Mr Fu Chi, a former actor who now heads Kiu Fat, insisted yesterday that the operation would be profitable, saying his main problem would instead be how to ensure he is ready to begin operations on September 1. About 200 staff will be employed in the outlet, and he estimates start up costs at HK$150m.

Mr Fu refused to disclose yesterday which Mainland Chinese entities were involved in Kiu Fat.

Kiu Fat currently operates 42 duty-free outlets inside China, and acts as a consultant to the duty-free outlet in Osaka Airport in Japan.

In parallel with the Kai Tak outlet, Kiu Fat plans to open a second duty-free store in the centre of Hong Kong, again staffed by more than 200 people.

Under the terms of the franchise agreement released on Friday by the Hong Kong Government, Kiu Fat will pay rent of HK$ 400m in its first year of operation, with this figure rising by 15 per cent a year for five years. It has an option to retain the franchise for a further three years, during which time the rent will not be increased.

New Peruvian prime minister named

BY BARBARA DURR IN LIMA

PRESIDENT Alan Garcia of Peru has chosen a new prime minister, Senator Guillermo Larco Cox, following four days of deliberations last week.

Mr Larco Cox, who will also hold the post of minister of the presidency, said on being named Friday night that the government would be one of economic austerity and law and order.

Earlier unofficial versions of the new cabinet had put Mr Luis Negreiros, secretary general of the ruling APRA (American Popular Revolutionary Alliance) party as prime minister. But APRA leaders said later that the party deemed that Mr Negreiros could not adequately exercise both his party and government posts.

The new premier-designate has nominated six new ministers, who are to be sworn today. Among them are two women, Ms Ilda Urizar, an APRA Congressional deputy, who will be minister of health, and Ms Mercedes Cabanillas, also an APRA congresswoman, who will be minister of education. They will be the first women ever to hold cabinet posts in Peru.

Mr Larco Cox also named Gustavo Saberbein, as Minister of the Economy and Finance who has been vice minister of the same portfolio; Mr Jose Barsallo Burga, Minister of the Interior who is currently president of the Peruvian Social Security Institute; Mr Abel Salinas, as Minister of Energy and Mines, the current Minister of the Interior and as Minister of Transportation and Communications, retired general German Parra Herrera, whos general manager of the Peruvian Telephone Company.

The remaining ministers are to be reconfirmed. Mr Larco Cox said that he would not name a chief for the new ministry of defence until the law regulating the ministry was promulgated.

Turkish opposition strengthened

BY DAVID BARCHARD IN ANKARA

TURKEY'S main left of centre political party appeared slightly strengthened yesterday after a three day party congress.

The Social Democracy Populist Party (SDPP) counts formally as Turkey's official opposition, but its share of the poll has dropped below 20 per cent in recent municipal elections, raising questions about its survival.

The party's leader, 63-year old professor Erdal Inonu managed to reassert his leadership at the congress after weeks of criticism.

Many Turkish Social Democrats feel that the centre-left has been pushed into third place for the first time in Turkish history because of weak leadership. Others blame the former Prime Minister, Mr Bulent Ecevit, who has split the leftwing vote in Turkey by forming his own party.

Last weekend's congress will please those in the SDPP rank and file eager to maintain unity. However, the party has yet to project itself nationally as a credible alternative for Government.

SHIPPING REPORT

Uncertainty about Opec leads to modest trading

BY LYNTON McLAIN

UNCERTAINTY ABOUT the outcome of the meeting of the Organisation of Petroleum Exporting Countries led to modest trading in the oil tanker markets last week.

The exception was the demand for the very large crude carriers (VLCCs). Several of these vessels were in demand and Galbraith's, shipbrokers, said at the weekend that "owners had gradually got themselves in the driving seat, improving the 250,000-ton rate from the Gulf to the west up to about Worldscale 40 on the July rate schedule."

Earlier, there had been some resistance to vessels being chartered for longer voyages at rates then ruling.

The main interest for charterers from the Gulf was again for the VLCC size of vessel, according to E. A. Gibson Shipbrokers. There were still several cargoes outstanding and owners were endeavouring to maintain current rates.

Of the most recent charters, a 220,000-ton vessel received Worldscale 43 for a voyage to Japan and a 250,000-ton vessel Worldscale 37½ to the Red Sea.

Galbraith's forecast the outcome of the Opec meeting would provide a "sound base" for expectations of an active and improving freight market, especially into the last quarter of the year.

A number of tankers were chartered from West Africa, but rates generally weakened to around Worldscale 52.5 to 55.

The Mediterraean and North Sea areas were active last week, with Worldscale 85 the last rate paid for an 80-000 ton vessel from Hound Point to Rotterdam.

Vessels at between 65,000 tons to 80,000 tons continued to be in demand from North Africa.

A weak Atlantic market saw rates, especially for Panamax size vessels continue to fall last week. The Gulf to Egypt market, however, saw some active trading and charter rates rose.

World Economic Indicators

RETAIL PRICES
(1980 = 100)

	Apr. 87	Mar. 87	Feb. 87	Apr. 86	Percentage change over previous year
US	136.9	136.3	135.7	131.9	+3.8
W. Germany	121.0	120.7	120.7	120.9	+0.1
France	166.5	165.7	165.5	161.0	+3.4
Italy	208.6	208.0	207.2	200.0	+4.3
Netherlands	122.1	121.9	121.6	123.2	−0.9
Belgium	144.4	143.7	143.6	142.7	+1.2
UK	152.3	150.5	150.2	146.1	+4.2
	Mar. 87	Feb. 87	Jan. 87	Mar. 86	
Japan	114.6	114.1	114.1	115.2	−0.5

Source (except US): Eurostat

UK NEWS

David Churchill examines a fierce price war among leading tour operators

Cheap holidays tempt winter sun seekers

TOUR OPERATORS, who still have 2m overseas holidays to sell this summer, have embarked on a fierce price war to sell holidays in the sun next winter.

Thomson Holidays, the market leader, has already been forced to undercut the prices in its winter brochures because of cheaper prices being offered by other operators, especially Horizon Holidays.

Thomson cut an average of £10 off the prices of 100,000 of its holidays when it found that prices for the same hotels were cheaper in the Horizon brochure.

Next winter could provide the biggest growth the market has ever seen

Other tour operators are keeping up the pressure on prices. Cosmos last week gave a guarantee of refunding the difference in cost between its winter holidays and those offered by other operators.

Cosmos says that many of its winter holidays are a fifth cheaper than last year and it is also offering other benefits, such as free car parking at regional airports.

Tour operators believe that this price competition will lead to a rush to the sun next winter.

Mr Paul Brett, managing director of Thomson Holidays, says: "Over 2m people now take a winter holiday abroad and with prices so low we predict that next winter there will be the biggest growth this market has ever seen."

His view is backed up by Lunn Poly, one of the leading travel agency chains. Mr John MacNeill, managing director, says: "Winter bookings are exceeding all expectations. We sold over 6,000 holidays in the first three days since we introduced early booking discounts, compared with 2,000 over the same period last year."


The Caribbean is increasingly popular

However, the travel trade is well aware that early bookings do not guarantee a good season. Last autumn, for example, saw record bookings for holidays this summer. But after Christmas the strength of bookings fizzled out, leaving some 2m summer holidays still unsold.

Even so, the winter holiday market has significantly different characteristics to the summer one. Many of those, for example, who go on winter holidays have already had at least one other holiday. They are those customers who not only have steadily rising disposable income but also increased leisure time in which to take holidays.

The over-55s, in particular, are an important growth sector of the winter holiday market. "Our Young at Heart holidays, aimed at the over 55's, grew by more than 100 per cent last year," says Mr Nick Roberts, product manager at Thomson Holidays responsible for this sector. Thomson, for example, is also offering long-stay mediiteranean holidays for about £2 a day this winter.

Skiing is another winter holiday sector showing rapid growth. Always a traditional winter pastime for a minority of Britons, it is increasingly seen as an activity holiday appealing to many who had previously considered it as having a too up-market appeal.

British Airways' Enterprise holiday subsidiary, for example, said yesterday that so keen are some skiers becoming that it has been taking bookings for next winter's skiing holidays since last autumn.

Mr Nick Wood, senior manager with Enterprise Holidays, says: "We have been quite taken back by the level of demand."

Overseas winter package holidays really started to take off after a change in 1972 in the regulations governing the price and shape of holiday packages. As with the summer package holiday market, the winter market is dominated by Thomson, Intasun, and Horizon.

One factor that may boost winter holidays has been the policy this summer by these tour operators to offer lower-grade hotels or self-catering in order to keep down prices.

Mr Peter Robbins, managing director of the up-market La Manga Club travel operation, believes that "so many people will be disappointed by their summer holiday this year, because the operators have cut standards, that they will take a second holiday to compensate for this."

The key attraction for winter holidays, not surprisingly, is sunshine. Most holidaymakers go to the Mediterranean.

Demand is growing for more exotic and distant holiday locations

Increasingly, however, there is a growing demand for more exotic destinations, especially the Caribbean and Australasia.

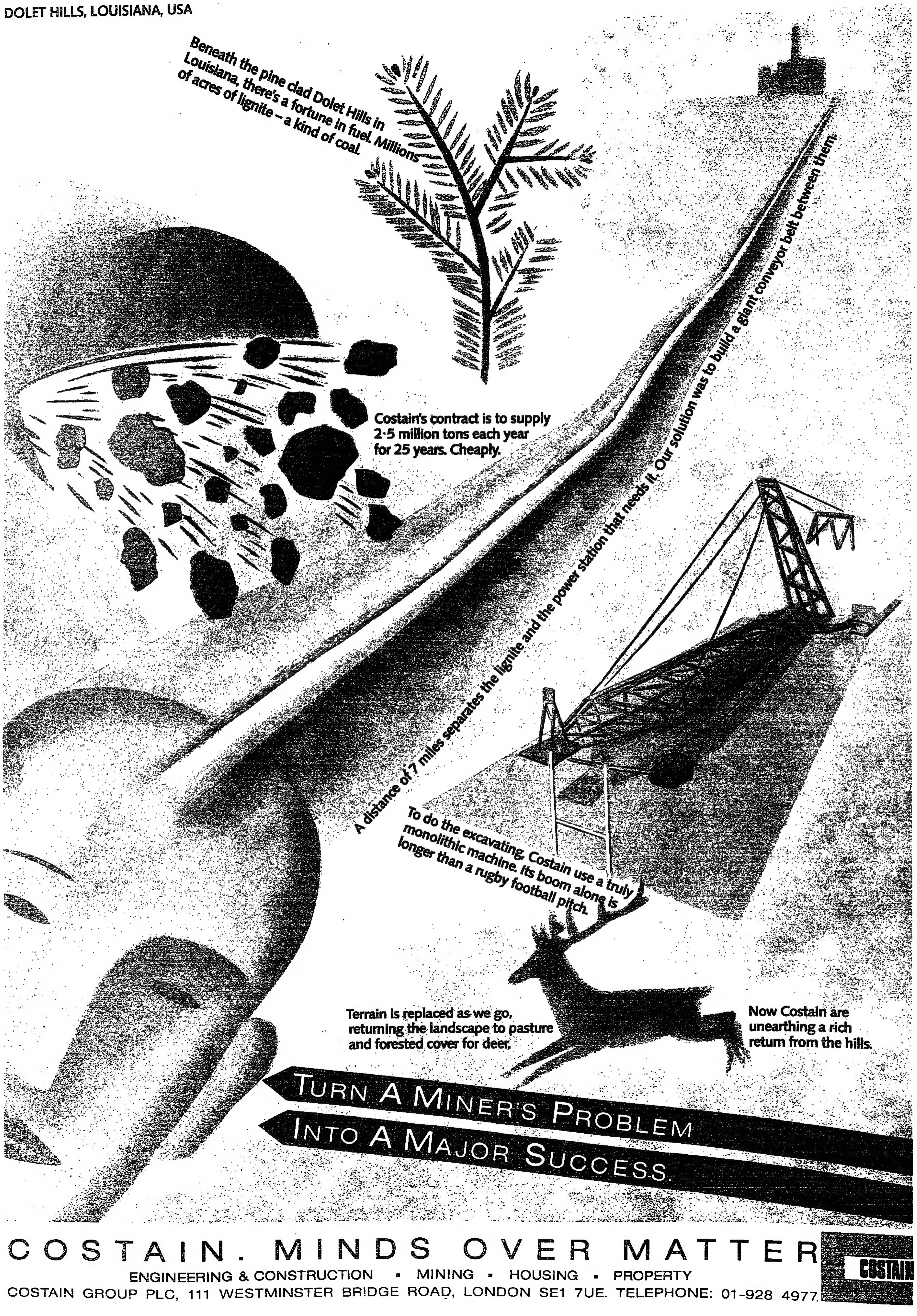
A popular destination with British holidaymakers to the Caribbean is the Heywoods Hotel complex on Barbados, which is owned by Copthorne Hotels, part of the British Caledonian group.

Caribbean cruising is also growing in popularity.

The Royal Caribbean cruise line, for example, is launching its Sovereign of the Seas liner this winter.

"We have timed this to take advantage of the growing trend for people to take more holidays, further from home, at summer months," says Mr Jennifer Brown, Royal Caribbean's director of sales and marketing in Europe.

"We confidently expect that ship to be sold out," she adds.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UK NEWS

Treasury maintains need for spending restraint

BY PETER RIDDELL, POLITICAL EDITOR

THE TREASURY yesterday gave the first public warning to Cabinet ministers, currently drawing up spending plans, that it was determined to maintain restraint, even on priority programmes such as housing, education and inner cities.

Mr John Major gave this warning in his first keynote speech as Chief Secretary to the Treasury, when he reiterated the Government's objective of reducing public expenditure as a share of national income.

"We shall not allow ourselves to be deflected by any post-election euphoria from this task," he said.

His speech, in his Huntingdon constituency, was intended as a warning shot across the bows of spending ministers as they finalise their bids this week for additional money for next year and later.

There is a desire in the Treasury to damp down any feeling of relaxation in Whitehall over spending targets in the light of the large increase in the medium-term totals announced last autumn and the recent talk by ministers about giving a greater priority to the inner cities and other social policy areas.

Mr Major noted that the Conservative manifesto contained radical proposals on education, housing and the regeneration of inner cities, but added it was clear from the Queen's speech that "there can be no blank cheques. It has never solved problems in the past. It will not in the future."

Mr Major stressed that detailed plans in these areas would be subject to the same searching examination as other programmes. He referred to performance targets, value for money, greater encouragement of choice and whether an activity needed to be conducted in the public sector at all.

"We must not let the growing strength of the economy delude us into thinking that restraint of public expenditure is unnecessary, for it was that restraint that produced the strength of the economy," he said.

His objectives as Chief Secretary would remain reducing taxation and holding down public sector borrowing.

Treasury ministers have been careful to qualify the election promise of cutting the basic rate of income tax from 27p to 25p in the pound by saying it would happen "when prudent."

The main departmental spending bids will be submitted over the next few days. In spite of the disruption caused by the election, the usual timetable will apply with the full Cabinet discussing the economic and public spending outlook in the second half of next month.

This meeting is likely to reaffirm existing spending totals as the goals to work towards. Then there will be bilateral discussions between Mr Major and spending ministers getting under way in earnest in September.

Caradon new issue attracts £1.36bn

By Steven Butler

THE POPULARITY of new issues was demonstrated once again at the weekend, with the announcement of a massive oversubscription of Caradon, the building products company that manufactures Twyfords sanitaryware and Mira showers.

Some 117,000 investors put up £1.36bn for the £33.6m issue, an oversubscription of 39 times. Share allocations will be heavily scaled down at all levels.

"I don't know if it has to do with the issue itself," said Mr Peter Jansen, managing director, attributing part of the response to current exuberance in the market for new issues.

He denied that the issue may have been underpriced at 250 per share, giving it a pro-forma historic p/e of 14.5, which is modest by the standards set during recent flotations of Tie Rack and Sock Shop.

"We're a long term business. We were priced at the right level," said Mr Jansen.

Caradon emerged after a 1985 management buyout from Reed International and has four divisions in bathroom products, showers, plastic waste and rainwater systems, and plastic mouldings. Operating profits have risen from £9.7m after the buy-out to £16m in the year to the end of March 1987.

Proceeds of the issue of new shares, which comprise 25 per cent of the enlarged equity, will be used to repay loan stock and preference shares issued in connection with the buy-out

Hyundai to continue cash-back offer

FINANCIAL TIMES REPORTER

A 'MONEY BACK if dissatisfied' sales campaign for Hyundai cars from South Korea is to last until at least the end of August.

The campaign, which was three weeks old on Thursday, has been successful with only one car returned out of 520 sold so far this month, said Mr John Bell, sales director.

The cars are imported by Hyundai Car Distributors (UK), a wholly-owned subsidiary of the private International Motors group.

Mr Bell said it had not yet been possible to assess precisely how many extra sales had been generated by the campaign. However, he said: "The response has been better than expected and we're pretty pleased with the increased interest, and the low rate of return."

Under the scheme, customers not entirely satisfied with their purchase have the option of returning the car to the dealer for a full refund, provided this is done within seven days of delivery.

It must also have covered less than 500 miles and be undamaged apart from fair wear and tear.

The campaign is expected to provide an extra boost to sales

Car sales set to top monthly record

BY JOHN GRIFFITHS

THE EXPECTED new car sales boom in August is likely to set a record and could even lead to the 400,000 units threshold being crossed for the first time in a single month, according to the July issue of Glass's Guide, the motor trade monitoring publication.

In August, a new prefix is introduced to car registration plates denoting the year of manufacture. On paper, a car registered in August is one year "newer" than a car licensed in July.

However, there are unlikely to be any major sales incentive programmes because of a current shortage in supplies of new cars, even to favoured fleet customers, warns the guide.

Earlier this year, Glass's had forecast a return to heavy sales incentives as a result of manufacturers over-supplying the market in their pursuit of increased market penetration.

However, producers like Vauxhall and the Rover Group have reduced output and lost market share rather than make unprofitable sales. Ford, despite consolidating its position as market leader, has also taken a more conservative approach to production.

As a result, certain versions of the Ford Sierra, Vauxhall Cavalier and Montego are in short supply.

There is every reason to believe that last year's August record of 382,000 sales will be beaten, according to the guide.

The buoyancy of sales in the first half has also led Glass's to revise upwards its total sales forecast for this year to 1.9 m, which would be a record for the third year in a row.

In March, Glass's had suggested a likely outurn of over 1.88m, implying a slight fall compared with the 1986 record of 1.88 m.

Sales figures for the first 20 days of June show a further increase of 8.64 per cent compared with the same period a year ago. They brought the year-to-date total to 955,374, up 3.77 per cent on the year-ago period. If his percentage increase were to be sustained for the rest of the year, the market would reach 1.95m units.

UK NEWS

Michael Cassell looks at the crisis in Britain's newest political party

Alliance fights for its life

THE next round in the fight for the future of the Social Democratic Party (SDP) – Liberal Alliance – formed to break the mould of British politics but now threatening to inflict mortal wounds on itself rather than on its its opponents – will be staged today.

The political partnership which, less than three weeks ago, was confidently, if not convincingly, talking of holding the balance of power, is now locked in a remarkable, publicly-staged power struggle of its own.

The outcome will determine whether or not the partnership can survive much beyond the summer. The post-election battle has brought to a head a fundamental difference of opinion within the party leaderships over the future structure of the Alliance. It has also exposed a series of personally bitter divisions within the SDP, based on a factionalism which dates back to the first leadership election of 1982 and, a year later, the joint selection of candidates.

The inevitability of the debate and the need for changes to the existing Alliance structure have been increasingly accepted by both parties. But the speed at which the pressure for change has accelerated has surprised and alarmed many activists and led to accusations and counter-accusations over responsibility for forcing the pace.

On Friday, Mr David Steel, the Liberal leader, again spelled out what he sees as the stark choice between union or separation and the need for a speey resolution to the issue. He has left his own supporters – and 7.3m voters – in no doubt about his own preference for a complete union, in which both sides sacrifice their own identity in return for a vote-winning political reincarnation.

Today, it will be the turn of Dr *David Owen*, the SDP leader, to reaffirm before a meeting of the party's national committee his outright opposition to any new Alliance framework which wipes the SDP off the polítiical map. Over the weekend, he made it clear that any *Alliance* merger in the mediumterm, would have to take place without him.

The two positions appear irreconcilable. But although the philosophical split might appear unbridgeable at the highest levels of the Alliance hierarchy – and particularly within the SDP leadership itself – some of the positions adopted over the last few days are likely to prove less than rock-solid.

Mr David Steel

Dr David Owen

Dr Owen is said by the pro-merger faction within the SDP to have applied pressure to his four parliamentary colleagues by threatening to resign. The support of some of them, the argument goes, is only secured because of his threat and the consequent undermining of their own political positions.

But a vote by the SDP membership for full union with the Liberals could see a swift rethink of their anti-merger stance. Evidence suggests that, within both parties, there is a clear majority in favour of such a move. The pro-merger camp within the SDP claims support among rank-and-file members is running 2-1 in its favour, providing the options confronting them are laid out fairly and unemotionally.

But as both party leaders have emphasised, the fate of the Alliance will have to be decided by the respective party membership in ballots to be conducted during the summer. Today's crucial meeting of the leadership is expected to vote on the options to be put on the ballot paper.

Despite last-minute calls for a change of heart and timely reminders of grass roots opinion, a resolute Dr Owen seems certain to put his full weight behind the recommendation of two of his MPs, Mr Robert Maclennan and Mr John Cartwright. They believe the SDP should negotiate a closer, constitutional framework for the Alliance, but one which preserves the SDP as a separate party.

Their highly controversial alternative, which has been attacked by the pro-union lobby within the SDP leadership for being emotively loaded against a merger, talks of the abolition of the party.

Behind their case lies a belief that the SDP has proved a necessary catalyst in the realignment of British politics, together with an understandable wish not to see a party of five MPs and 60,000 members. *They insist that any new* framework must, at least for the present, retain the SDP's distinctive identity.

The anti-merger camp acknowledge that changes are essential so that the partnership can establish better-defined priorities and go on to produce a more clearly focussed, joint programme for government.

Any new framework, they say, should include a procedure capable of allocating by January 1989 parliamentary seats for the next general election, as well as broad agreement on priorities for the campaign. They also want to see a mechanism for electing a single Alliance leader in place by January 1990.

But while those objectives may be shared by founder members like Mrs Shirley Williams, the SDP president, Mr Bill Rodgers and Mr Roy Jenkins, they believe full and early union represents the only mechanism which will work and which, in the eyes of a confused and unconvinced electorate, will restore political credibility to the Alliance.

Frantic weekend communications between Mrs Williams and Mr Des Wilson, her Liberal counterpart, were designed to try and strengthen the hand of the premerger camp, which will fight at today's meeting for a less strident, more conciliatory option which can also be put to the Liberal membership.

Win or lose, both Liberal and pro-merger members of the SDP leadership will mount a campaign to give a warning that the Alliance will collapse unless it proceeds quickly to full union.

The Williams motion would ask whether members are in favour of negotiating a closer association between the two parties and then inquire whether they should talk on the basis of retaining separate indentities and organisations or on the basis of forming a new party.

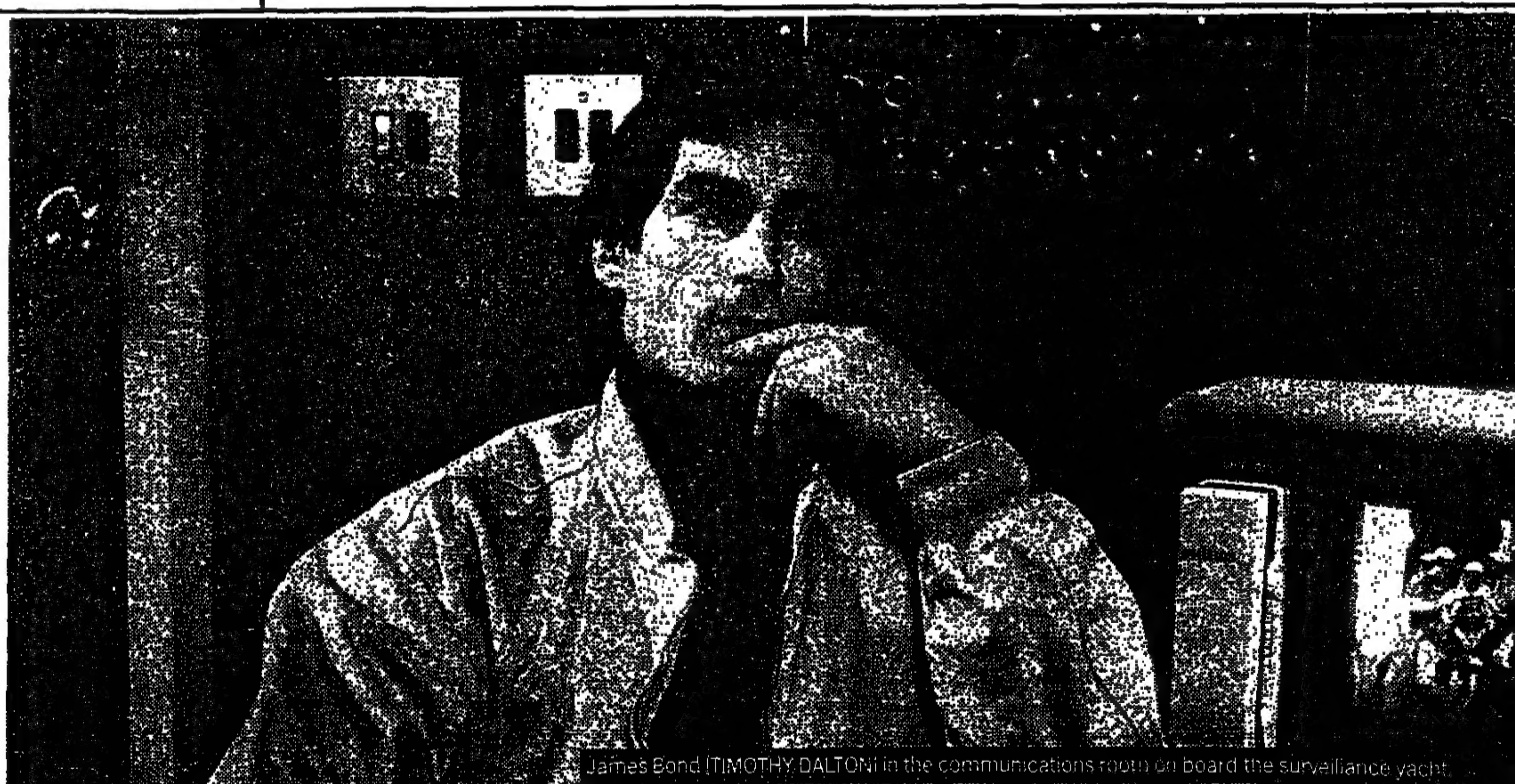
Her call for a common set of principles, a single democratically elected, policy making structure and a one-member-one-vote constitution fit in neatly with the guidelines spelled out on Friday by Mr Steel.

Dr Owen, however, appears confident that the anti-merger ballot recommendation will today be accepted by a majority of the national committee and that party members will August have made their views known. Mr Maclennan stresses that the exercise is consultative but believes it will be conclusive.

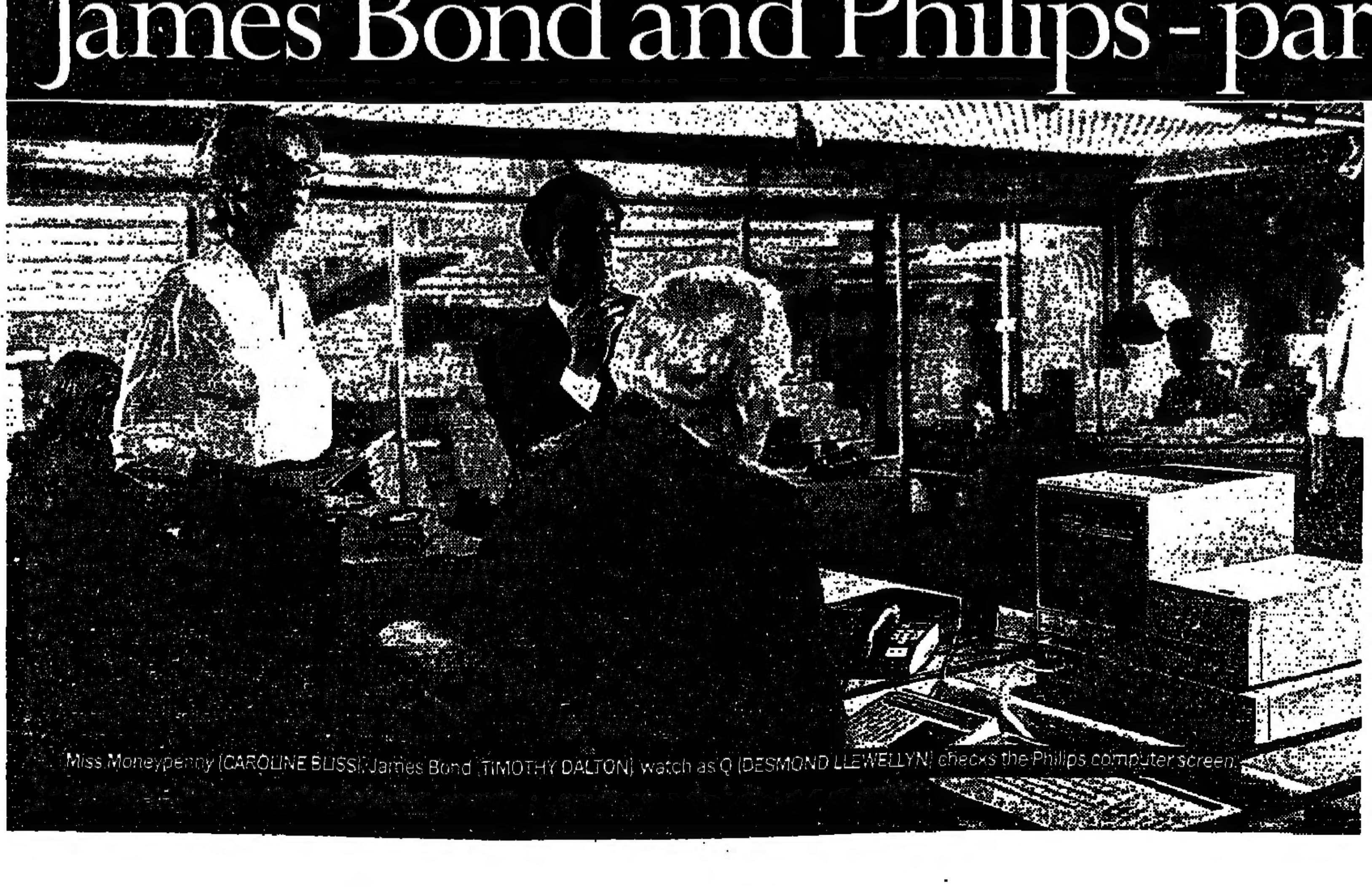
The SDP leader's inseparable link with the "anti-abolition" wing of the SDP inevitable means he will be asking his membership to back him and the concept of a separate SDP or telling him to depart, albeit with his political principles intact. It is a choice they will not want to make, but one which their leader appears determined to impose upon them.

If Dr Owen wins, his opponents within the party can be expected to withdraw from the scene or perhaps join the Liberals. He will have a mandate to re-open talks with the Liberals about some form of continuing programme of co-operation.

The present Liberal leadership appears as diametrically opposed to that prospect as Dr Owen is against a full merger. Give its numerical superiority and the apparent interparty majority in favour of total union, it looks as though Mr Steel's confidence about eventually winning the fight might be soundly based.



James Bond (TIMOTHY DALTON) in the communications room on board the surveillance yacht.



Miss Moneypenny (CAROLINE BLISS) James Bond (TIMOTHY DALTON) watch as Q (DESMOND LLEWELYN) checks the Philips computer screen.

UK NEWS

Earnings pace fuels inflation worries

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE CENTRAL pledge in the Conservatives' general election manifesto was that it would not be content until Britain had stable prices with inflation completely eradicated. London's financial markets have still to be convinced.

Amid the City of London's post-election jitters, worries about inflation prospects have begun to resurface.

Behind the concerns have been booming credit, soaring house prices, buoyant wages, and strong growth in output. The message is that the Treasury may have won the most recent battles against accelerating price rises but that the war is far from over.

Few, if any, City economists believe that there is an imminent risk of a renewed inflationary spiral. The consensus among independent forecasters points to an annual rate of retail price inflation of 3.9 per cent in the fourth quarter of 1987, fractionally below the present rate of 4.1 per cent.

The problem, according to the forecasters, is that that will represent a temporary dip. The pace of price rises will then accelerate again to 4.6 per cent by the end of 1988.

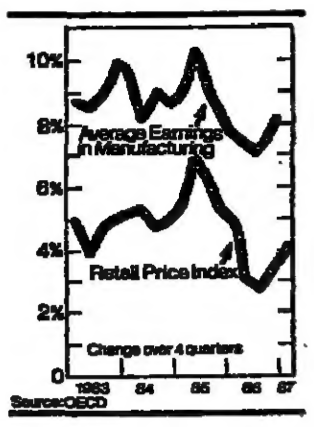
That worry is compounded by a fear that the risks, in market jargon, are "on the upside": if the central forecast turns out to be wrong, the chances are that actual inflation will be higher rather than lower.

Mr Nigel Lawson, the Chancellor of the Exchequer, can claim justifiably that most economists in the past have tended to be too pessimistic. They have underestimated his determination to head off an upturn in prices by, for example, raising interest rates.

The latest concerns, however, are not without substance. The first worry is the rate of earnings growth, which has been running at an annual 7½ per cent and, within the last few weeks, has shown some signs of accelerating.

A surge in manufacturing output, strong corporate profitability and evidence of some capacity constraints are seen to have heightened the risk of a bout of "wage-push" inflation.

The Government's economic strategy assumes that high wage awards will translate over the medium-term into falling employment rather than higher inflation – a tight monetary policy will ensure that producers cannot pass on higher wage costs to consumers. As the accompanying chart shows, however, there is a close short-term "fit" between wage rises and inflation.



Source: OECD

In manufacturing, the impact of earnings growth on unit wage costs has been offset substantially by productivity gains. Underlying growth is manufacturing productivity is running at between 4 and 4½ per cent a year, but because of favourable cyclical factors the increase since the start of 1986 has been over 6 per cent. That has pushed down the annual increase in unit wage costs to about 1 per cent.

Productivity growth in the much larger services sector, however, is considerably weaker, while earnings are rising only fractionally less fast than in manufacturing. So for the economy as a whole productivity gains average only about 2½ per cent a year, leaving a "core" rate of labour cost inflation of perhaps 4½ per cent.

The second warning signal comes from the buoyant rate of monetary growth in the economy. The broad money supply measure, M3, once the centrepiece of official policy but now dropped by the Treasury as a target, has been expanding by nearly 20 per cent a year, while bank credit has been increasing by £2.5bn a month. House prices, another classic indicator of a potential inflationary build-up, have also been rising sharply.

From this Mr Tim Congdon, an economist at securities house L Messel, concludes that Britain is now experiencing something akin to the boom of the early 1970s. Unless the Government raises interest rates, the result will be a rapid acceleration in inflation.

That view is at the pessimistic end of the spectrum, but concern about the potential if not actual implications of monetary and asset price trends has persuaded the Bank of England to put the brake on further falls in borrowing costs.

Thirdly, the international environment is no longer as favourable to the process of disinflation. Oil prices have stabilised and could edge higher, the fall in most commodity prices appears to have levelled off, and inflation in other industrialised nations is on a gently rising trend. The arguments, however, are not all on one side.

Monitoring of private sector pay settlements by both the Confederation of British Industry and the Treasury suggest that if anything they are now running slightly below last year's levels – at perhaps 5 rather than 6 per cent. Buoyant earnings growth may thus reflect overtime payments rather than a general upturn in wages pressure.

A recent analysis by James Capel, the City securities house, argues that worries that the economy is in danger of "overheating" because of capacity constraints and skill shortages are exaggerated.

The experience of the last few years also suggests that financial innovation and liberalisation have made the links between monetary growth and future inflation more tenuous than ever. The build-up of liquidity in the economy would be a risk in the event of an external inflationary shock – a sudden fall in the value of the pound, for example – but does not necessarily represent a danger in itself.

And if the international environment is not as favourable as hitherto, the sluggish pace of growth in most other industrialised countries suggests that the threat of much faster imported inflation is small.

Overall, the conclusion might be that – provided that the Government does not relax its anti-inflation policy – the task of holding inflation at close to, or a little above, present levels should not be insuperable.

What is much harder to see is a significant stride over the next two years towards the goal of stable prices.

UK NEWS

US fund views network TV with appreciative eyes

BY RAYMOND SNODDY

NEW YORKER Mr Allan Raphael finds it difficult to be too complimentary about the production values of the programmes he sees on the British television screen. From the slick camera angles at sporting events to the quality of the acting and interviewing techniques, he says quite simply: "It's just superior to every other television I have ever seen."

Mr Raphael is, however, no ordinary viewer and what he admires most of all about British television is the price/earnings ratios of the commercial television companies.

Over the past year Mr Raphael, portfolio manager for Soros Fund Management, an offshore fund with investments of $2.2bn (£1.4bn) and a reputation for growth, has built up stakes in nine of the 16 commercial television companies in Britain.

The fund began investing in British television a year ago and Allan Raphael is well pleased with the result. An investment of $22m has already turned into a stake worth $40m.

Soros has a 7.2 per cent stake in TV-am, the commercial breakfast station, but the Independent Broadcasting Authority will only allow him to vote with 1 per cent of his shares because it is non-European Community ownership.

Despite the restrictions, Soros has built up shareholdings of less than 5 per cent in everything from Scottish, HTV, Anglia and TVS to four of the "Big Five" network companies – Yorkshire, Central, Thames and London Weekend.

It also has a stake in Granada, the other national network company, but sold because of the company's involvement in direct broadcasting by satellite, a concept which has been a disaster in the U.S.

Last year's flotations of TV-am, Thames and Yorkshire focused the attention of Mr Raphael, a former stockbrocking analyst before he moved to Soros three years ago, on the UK television market.

Apart from growing confidence in the UK economy, Mr Raphael was impressed by the strong demand for television advertising time and the quality of the new breed of commercial managers in many ITV companies.

IBM 'runs computer checks on staff'

BY PHILIP BASSETT, LABOUR EDITOR

IBM UK, the British arm of the world's largest computer company, which is predominantly non-union, uses the services of the Economic League, a free enterprise organisation which provides information to companies on potential employees.

Internal IBM documents show that IBM UK paid £5,000 to the Economic League for services provided by the organisation in meetings and over the telephone.

Much of the league's work involves providing information to its 2,000, mainly corporate subscribers, on people who the League considers to be politically subversive.

Earlier this year, Mr Douglas Hurd, Home Secretary, ordered a police inquiry into the league's affairs following allegations in a television programme that it had been illegally using police criminal records as part of its vetting procedures. The police were unable to find evidence.

The link between IBM and the Economic League, which regards many prominent trade unionists as worthy of inclusion on its lists, is made in a report by the Datalink newpaper, which reports on the software industry.

Consultants to assist changes in welfare

By John Gapper

PRIVATE COMPUTER consultants are being brought in by the Government to help implement the Social Security Act by next spring in the aftermath of selective strike action by civil servants which is due to end this week.

Twenty specialist programmers are to start work at the Department of Health and Social Security's North Fylde Centre today as about 300 civil servants on strike there and at three other centres start to return to work.

The consultants will help prepare for the switch from Family Income Supplement to Family Credit after delays caused by the 11-week strike at four centres as part of the campaign of disruption over pay.

Work at one centre on the planned move from supplementary benefit to the new Income Support Scheme has also been seriously affected by the strike of programmers belonging overwhelmingly to the Society of Civil and Public Servants, which has now suspended its action.

A spokesman for the Department said that it was committed to implement the Social Security reforms by next April and would do so whatever the method chosen.

About 125 Customs officers working on export clearance at 12 depots have returned to work.

● FT LAW REPORTS

Judgment debtor must reveal foreign assets

INTERPOOL LTD v GALANI
Court of Appeal (Lord Justice Lloyd and Lord Justice Balcombe); June 23 1987

A JUDGMENT debtor who is ordered by the court to submit to examination as to his means is obliged, if asked, to answer questions and produce *documents* relating to his assets abroad.

The Court of Appeal so held when dismissing an appeal by Mr John Anthony Galani from a decision of Sir Neil Lawson, sitting as a Queen's Bench judge in chambers, that Mr Galani was obliged to answer questions relating to his assets abroad for the purpose of satisfying a judgment obtained against him by Interpool Ltd.

Order 48 rule 1(1) of the Rules of the Supreme Court provides: "Where a person has obtained a judgment ... for the payment ... of money, the court may ... order the judgment debtor ... to attend before such master ... as the court may appoint and be orally examined on ... (a) whether any ... debts are owing to the judgment debtor, and (b) whether the judgment debtor has any ... property or means of satisfying the judgment ... and the court may also order the judgment debtor ... to produce any books or documents ... relevent to the questions ..."

LORD JUSTICE BALCOMBE, giving the judgment of the court, said that on August 11 1978 Mr Galani, a Greek citizen living in France, guaranteed monies due to Interpool, a US company, from Liberian, Greek and French shipping companies in which he had interests.

On October 21 1985, Interpool obtained judgment on the guarantees against Mr Galani in Paris, his place of domicile. In 1985 he came to live in North London, and still lived there with his wife and children.

On May 9 1986 the Paris judgment was registered as a judgment in the Queen's Bench Division pursuant to the Foreign Judgments (Reciprocal Enforcement) Act 1933. The amount for which judgment was entered was $13,742,909, equivalent to £9,161,939. Mr Galani did not contest the registration or the validity of the judgment.

On July 30 1986 an order was made for oral examination of Mr Galani unider Order 48 of the Rules of the Supreme Court. Examination began on October 16 before Deputy Master Rose.

Mr Galani objected to answering questions, save as to his assets within the jurisdiction of the court. The Master referred an issue to the judge in chambers in the following terms: "Is the judgment debtor obliged to answer any question as to ... property or means of satisfying the judgment which are not within the jurisdiction ... or to produce any books or documents ... relevant to such questions?"

Sir Neil Lawson answered in the affirmative, in favour of Interpool. Mr Galani now appealed from that decision.

Order 48 was part of a group of Orders, comprising Orders 45 to 52, prefaced by general words "Enforcement of judgments and orders." It contained no express reference to locality of the debts, property or other means. In contradistinction, Order 49, which dealt with attachment of debts due to the judgment debtor, expressly provided that the person whose debt was to be attached ("the garnishee") must be within the jurisdiction.

Mr Jones for Mr Galani argued: (1) the court did not exercise extra-territorial jurisdiction; (2) the court would not enforce its judgments by execution, save as to assess within the jurisdiction; (3) Order 48 was merely part of the machinery for enforcement of judgments — accordingly any examination under the Order was limited to assets within the jurisdiction.

While the first proposition was true as a general proposition, the second required careful examination, especially in so far as it related to garnishee proceedings and charging orders.

The decision in *Richardson [1927] P 228* that there was no jurisdiction to garnish a debt which was not recoverable within the jurisdiction, was no longer good law—see *SCF v Masri (No. 3) [1987] 2 WLR 81 95, 96* and *Deutsche Schattbau v Rakoil [1987] 2 FTLR 17.*

If the court had jurisdiction to garnish a debt recoverable outside the jurisdiction, even though as a matter of discretion it was unlikely to do so, it seemed there must be power under Order 48 to discover the existence of such debts.

Section 2(1)(a)(ii) of the Charging Orders Act 1979 provided that a charging order might be made in respect of any interest held by the debtor beneficially under any trust.

It was difficult to see why a more restrictive limitation should apply to that type of asset than applied to a debt liable to execution under Order 49. There should therefore be jurisdiction to charge an interest under a foreign trust. In any event it might be necessary to have an examination of the judgment debtor to find out the nature and extent of his interest, to see whether it was a foreign trust and if so, whether the court should in its discretion make a charging order.

Far from there being justification for limiting the operation of Order 48, as was submitted for Mr Galani, there was every reason for giving it the wider meaning for which Interpool contended.

The provisions for the reciprocal enforcement of judgments between states were continuously expanding. It was consistent with that pattern of legislation that the judgment creditor should have available to him a procedure under Order 48, which he could utilise to find out whether, in default of English assets, there were foreign assets available to satisfy his judgment. The use of Order 48 for that purpose was not "regulating the conduct of the judgment debtor abroad" so as to be contrary to the principle in *MacKinnon v Donaldson Lufkin [1986] 1 FTLR 123.*

The judge came to the correct decision. The appeal was dismissed.

For Mr Galani: M. E. Jones (Coward Chance).

For Interpool: Jeffrey Gruder (Birkbeck Montagu's).

By Rachel Davies
Barrister

Developers vie for business village

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

A VILLAGE with 3,000 homes, a business park and a landscaped country park has been proposed by Alfred McAlpine Homes East at Caxton Gibbet, 11 miles west of Cambridge.

A planning application for the village, which would be called Swansley Wood, has been submitted to the South Cambridgeshire Council by the Richard Wood Partnership, a town planning and surveying practice.

The submission has been timed to make certain that the proposal is considered at the forthcoming public examination of the review of the Cambridgeshire County Structure Plan, which sets out future policy for land use.

The McAlpine proposal joins 12 others for new villages around Cambridge. The county planners first thought that two new villages would be needed to cope with the increased pressure for housing in the area, but then revised their estimate to one which would be situated north west of the city.

Mr Peter Frampton, a partner at Richard Wood, said yesterday: "We are firmly convinced that the county council is selecting the wrong site." Housing pressure is to the south and west of Cambridge, not to the north

McAlpine and Richard Wood hope to use the public examination to convince the planners either that there should be two villages or that the site chosen should be to the west, along the A45 corridor.

UK NEWS

Free legal advice for accident victims

By Raymond Hughes, Law Courts Correspondent

FREE LEGAL advice will be available to accident victims under a nationwide scheme launched today by the Law Society, the solicitors' professional body.

Each year tens of thousands of people are injured in accidents for which they are entitled to compensation, but 70 per cent make no claim, generally due to lack of legal knowledge or uncertainty about how to get legal advice.

ALAS – the Accident Legal Advice Service – will offer a free initial interview with a solicitor who will advise on the prospects of success of a compensation claim, the likely cost and whether the injured person qualifies for legal aid.

The Law Society's £33,000 campaign to publicise the scheme includes a 30-second video to be shown every four-and-half minutes on the QTV screens in 510 post offices throughout England and Wales.

Leaflets advertising the campaign will be displayed in libraries, social service and department of health offices, Citizens Advice Bureaux and health centres.

The high proportion of accident victims who could, but do not, claim compensation has been revealed by a pilot scheme that has been operating in Manchester since 1979. About 400 people a year have taken advantage of the scheme, receiving an average compensation of around £800.

Statistics from Manchester show that 34 per cent of accidents occur at work, 27 per cent on the road and 38 per cent in the home (for example, from faulty appliances), on pavements, in shops or during leisure activities.

Nearly 2,500 solicitors throughout England and Wales have so far agreed to take part in the scheme, most of them are specialists in personal injury claims. On the basis of the Manchester experience the Law Society expects more to join in once the nationwide scheme has got under way.

Visa adopts new code to screen credit applicants

BY DAVID LASCELLES

All institutions issuing Visa credit cards in the UK, including the largest – Barclaycard, have adopted a code of practice to reinforce standards for card applications and granting credit.

Their action comes amid mounting concern about the rapid growth of consumer credit in the UK and the apparent ease with which borrowers can run up large credit card debts. Although the code reflects current practice and does not necessarily signal tougher credit terms, it is intended to improve the image of card issuers as responsible lenders.

The 16 institutions subscribing to the code include clearing banks such as Barclays, TSB, Girobank, the Co-op Bank, Standard Chartered, Yorkshire Bank and the Bank of Scotland. The other issuers are smaller UK banks and finance companies, and foreign banks.

The issuers have agreed to five clauses:

- Card issuers will check that the applicant had the means to repay the amount of credit applied for. In all cases a banker's reference and/or a credit bureau check will be made, and the applicant's address verified.
- All application forms must provide enough information to enable the issuer to make a proper credit assessment, and credit limits "shall prudently reflect the applicant's financial standing."
- Card issuers pledge to abide by the Consumer Credit Act and the Data Protection Act.
- Where credit scoring is used, card issuers will comply with guidelines laid down by the Office of Fair trading.
- Early warning will always be given to customers who are overdue with their repayments, and customers in genuine financial difficulty will be allowed to repay over a longer period.

A spokesman for the steering committee of Visa members said the code reflected practices which are already being carried out by Visa issuers in the UK. But it was important, he said, that consumers understand the principles involved, and that issuers abide by them.

"The code will benefit cardholders by assuring them that Visa issuers adopt a uniform approach to their customers which is both responsible and fair," the spokesman said.

More than 12m Visa cards have been issued in the UK, representing 41 per cent of the market. The bulk of this is held by Barclaycard.

Access, the other major credit card organisation in the UK, is unlikely to follow Visa into adopting a code of practice. A spokesman said yesterday that it was up to individual member banks to state their lending practices and policies, rather than the organisation as a whole.

Bush plans comeback to TV with Polly Peck

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

BUSH, one of the oldest names in the UK consumer electronics industry, is planning a comeback in the colour television market with a Turkish-made product supplied by Polly Peck, the controversial trading and manufacturing group.

The deal brings Bush back into television wholesaling after a six-year absence. It should also help Polly Peck establish the credibility of its consumer electronics manufacturing operations, since the 20-inch model to be marketed by Bush has received British Standards safety approval.

Bush, acquired last year by Prestwich Holdings, the fast-expanding entertainments and electronics group, has interests in a variety of electronic products, including music centres, personal stereos and clock radios, all imported from the Far East.

It abandoned the television market in 1981 because it had become a cut- throat business. But, according to Mr Philip Keane, a Prestwich director, the company has been looking for a way of moving back into the TV business for some time.

"We were able to do a deal with Polly Peck quickly and amicably, and we have a competitively-priced product that will give everyone a good margin," he said.

Mr Keane added that the company would be aiming to sell about 50,000 sets in the first year of operations. It was also hoping to do further business with Polly Peck in other consumer electronic products in the future.

Earlier this year, shares in Polly Peck on the London Stock Exchange were briefly hit by speculation that the company might lose its manufacturing licence in Turkey because of alleged sub-standard television production.

Yesterday, however, Mr Asil Nadir, chairman of the group, said he was pleased that the colour television set had received British Standards safety approval, and that the agreement reflected "our strategy to market Polly Peck products on an international scale."

Mr Nadir, whose agricultural and manufacturing activities in Cyprus and Turkey have frequently attracted City scepticism, refused to give production figures for his television operations, saying that number could create unwarranged expectations.

Short breaks relieve stress, survey says

By Lisa Wood

MORE THAN 60 per cent of employees in the UK feel their lives are "significantly stressed" according to research carried out by Crest Hotels, the Bass brewing subsidiary.

The overwhelming causes of stress, according to the research, are having to meet urgent deadlines and constant demands on attention.

Crest Hotels said: "It would seem that time is at a premium in today's highly stressed and striving-to-achieve environment and the symptoms displayed by a stressed employee are not conducive to high performance."

According to the sample interviewed, over 70 per cent of stressed employees said they felt edgy and bad tempered, over half had difficulty in making decisions and in concentrating, 61 per cent said it was difficult to relax

Crest Hotels, a major provider of short break holidays, said that over 70 per cent of employees believed that taking even a short holiday away from work relieved the build up of stress.

Contracts and Tenders

FEDERAL GOVERNMENT OF NIGERIA
FEDERAL MINISTRY OF AGRICULTURE
WATER RESOURCES AND RURAL DEVELOPMENT
NATIONAL LIVESTOCK PROJECTS DEPARTMENT

INVITATION FOR BIDS
Date of Issuance of Invitation: 30th June, 1987
LOAN No. 2737 UNI
IFB No. 1

1. The Federal Government of Nigeria has received a loan from the International Bank for Reconstruction and Development (World Bank) of 81 million United States dollars in various currencies towards the cost of the Second Livestock Development Project (SLDP) and it is intended that part of the proceeds of the loan will be applied to eligible payments under the contract for the supply of vehicles, plant and equipment for the National Livestock Projects Department (NLPD).
2. NLPD now invites sealed bids from eligible bidders for the supply of:

Category	Item	Description	Quantity
1	1	Pickup Trucks 2 WD	13
2	1	Pickup Trucks 4 WD	47
3	1	Station Wagon 4WD	24
4	1	Minibus 35 Seater	1
5	1	Saloon Large	18
	2	Saloon Small	9
6	1	Station wagon 2 WD	13
	2	Station wagon 4 WD	2
7	1	Hard Top 4 WD	5
8	1	10 Ton Truck Chassis/Cab	15
9	1	Low Loader Tractor	2
10	1	Low Loader Trailer	2
11	1	Motorcycle 125-150 cc	102
12	1	149 kW Crawler Tractor	2
	2	112-130 kW Motorised Scraper	2
13	1	58-67 kW Agricultural Tractor	3
	2	100-115 kW Agricultural Tractor	1
	3	5 Ton Tipping Trailer, 2 axle	3
	4	3 & 4 Disc Non-reversible Plough	2
	5	4 Gang Disc Harrow (32 discs)	2
	6	Fertiliser Spinner Broadcaster	2
	7	6 Row Maize Planter	2
	8	Boom Sprayer (8-10 Metre)	3
	9	Rotary Drum Mower	1
	10	Forage Harvester (Bell type)	3
	11	6 Row Picker Husker	3
	12	Maize Shellers	2
	13	Ram type Baler	1
	14	Side Delivery Tedder	1
14	1	23-25 kVA Generators	8

3. Interested eligible bidders may obtain further information and inspect the bidding documents at the office of:
   (1) The Director, National Livestock Projects Department, 8 Alkali Road, P.M.B. 2222, Kaduna, Nigeria. Telephone: (062) 211982; 242101. Telex: 71384 LCAKD NG.
   (2) The Administrator, ADP Liaison Agency, 27 Dover Street, London W1X 3PA. Telephone: (01) 499-3629. Telex: 296298 ADPLA.
4. A complete set of bidding documents may be purchased by any interested eligible bidder on the submission of a written application to the above and upon payment of a non-refundable fee of US$200.00 or N500.00.
5. All bids must be accompanied by a bid bond or bank guarantee for five per cent (5%) of the bid amount as prescribed in Clause 15, Section II (Instructions to Bidders) of the Bidding Documents. A cash receipt for the purchase of the Bidding Documents should be attached to the Bid.
6. Completed bids together with all attachments and enclosures duly sealed must be delivered at the office of: The Director, National Livestocks Project Department, 8 Alkali Road, P.M.B. 2222, Kaduna, Nigeria. on or before 10.00 hrs (local time) Friday, 14th August, 1987. Bids will be opened in public at the Conference Room, National Livestock Projects Department, Kaduna, Nigeria at 11.00 hrs, on Friday, 14th August.

DIRECTOR
NATIONAL LIVESTOCK PROJECTS DEPARTMENT
KADUNA, NIGERIA

KENANA SUGAR COMPANY LIMITED

PREQUALIFICATION FOR PORT SUDAN SUGAR WAREHOUSE

Kenana Sugar Company Limited operates one of the largest sugar estates at Sufeiya, near Rabak, 250 km south of capital Khartoum, and about 1,200 km from the sea port Port Sudan.

Kenana wishes to ascertain whether you would be interersted in tendering for the above project. Tenders will be invited from a list of selected contractors. The project is to be financed by the Saudi Fund for Development and the list of prequalified contractors is subject to their approval. The eventual form of contract and payment conditions will also reflect their normal requirements.

The project will consist of the construction, in Port Sudan, of a sugar warehouse of approximately 12,000 square metres in floor area. The warehouse will be of steel portal frames, 6m to eaves, either 40m clearspan or two 20m spans, clad in single-skin, colour-coated trapezoidal profile, steel sheeting. There will also be approximately 500m² of offices and ancillary building and 250m² of workshops and stores.

Interested tenderers are requested to forward as soon as possible the prequalification documents, including a brief report on major construction works recently executed by them along with last annual financial report, to Kenana Sugar Company Limited, P.B. No. 2632, Khartoum, Democratic Republic of the Sudan, clearly marked for the attention of Mr. Abdullahi Abu El Gasim, so as to reach him not later than 5th July, 1987.

The information given above is tentative and will form no part of any eventual contract.

GOVERNMENT OF MAURITIUS
MINISTRY OF WORKS
PREQUALIFICATION NOTICE
SEWERAGE SCHEME IN COROMANDEL AND NORTHERN BEAU BASSIN (PLAINES WILHELMS)

The Government of Mauritius is considering the construction of a Sewerage network in Northern Beau Bassin and Coromandel in the District of Plaines Wilhelms, consisting of:— [illegible]

It is proposed that the above project be constructed as a Supply and Lay contract. The Government of Mauritius proposes to invite tenders from experienced contractors. [illegible]

The Permanent Secretary, Ministry of Works, Treasury Building, PORT LOUIS

Applications should reach the above address on or before the 5th August, 1987 and must contain the following information:—

(a) A statement of interest to tender, giving the Contractor's name(s) and address(es).
(b) Information on the organisation and articles of association of the company or group, its financial standing along with a banker's reference.
(c) References for Sewerage works carried out in the last five years.
(d) References for other Civil Engineering works carried out in the last five years.
(e) A list of plant and equipment at applicant's disposal.
(f) Details of senior staff available.

For (c) and (d) above, the following information should be furnished, with documentary evidence where applicable: [illegible]

Firms selected to submit tenders will be notified and invited to tender for the execution of the Project in accordance with the tender documents which will be subsequently furnished to them.

The Project will be financed by the Saudi Fund for Development, and no contractor who is in any way boycotted by the countries of the Arab League will be allowed to tender. Prequalified contractors will be expected to furnish a Boycott Certificate along with their Tender.

Public Notices

CARDIFF CITY COUNCIL
TOURISM STUDY PROPOSAL

Cardiff City Council wishes to commission a study, first, to give an overview of possible tourism development and other visitor based opportunities and trends available to the City which are practically achievable and capable of implementation. Secondly, more detailed consideration of the individual projects listed below, to give market and financial assessments, [illegible]

(a) New Theatre refurbishment;
(b) Games Facilities—this will include the building of the international running track and associated facilities currently under construction and all the phases proposed throughout the City;
(c) Central Library—proposed conversion to tourist/conference related use.

The City Council, therefore, invites preliminary expressions of interest from appropriate consultants and other groups with the expertise to provide an effective investigation of the two tourism and visitor related aspects described above. [illegible]

H. T. CRIPPEN, Chief Executive

Legal Notices

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER PURSUANT TO SECTION 46(1) OF THE INSOLVENCY ACT 1986
Company number: 1989364
Name of Company

NEWS ON SUNDAY PUBLISHING PLC

We CYRIL W. NIELD and CHRISTOPHER J. HUGHES of St James's House, Charlotte Street, Manchester M1 4DZ hereby give notice that on the 16 June 1987 we were appointed joint administrative receivers of the above named company [illegible]

CYRIL W. NIELD

Obituary

GARETH MARK LEWIS

younger son of Keith and Elizabeth and brother of Michael, of Riverston School, London, and Management International, Bournemouth, tragically killed in a car accident on 24th June, aged 25 years. Funeral service will be held at Eltham Crematorium, London SE9, on Thursday 2nd July at 10.15 am. Flowers and enquiries to Francis Chappel, 48 High Street, Sidcup, Kent.

Company Notices

WESTERN DEEP LEVELS LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 57 02349 06

Application has been made to the Council of the Stock Exchange, London for the undermentioned shares to be admitted to the Official List:
335,885 5 Ordinary shares of R2 each

An Extel card containing Listing Particulars relating to the abovementioned shares has been circulated by Extel Financial Limited.

Copies of the Listing Particulars will be available to the public for a period of 14 days from the date of this notice, during normal business hours, at the following addresses:

London Office:	40 Holborn Viaduct, London EC1P 1AJ
UK Registrars:	Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL
London Brokers:	Rowe & Pitman Ltd, 1 Finsbury Avenue, London EC2M 2PA

Copies of the Listing Particulars will also be available for collection only for two business days following the date of this notice from: The Company Announcement Office, The Stock Exchange, Throgmorton Street Entrance, London EC2P 2BT

29th June 1987

CONSOLIDATED MURCHISON LIMITED
("the Company")
(Incorporated in the Republic of South Africa)
Registration Number 05/05478/06

RESULTS OF RIGHTS OFFER

Shareholders of the Company are advised that ordinary members, or their renouncees subscribed for 1,977,363 5 ordinary shares in the Company being 95,1 per cent of the 2,080,000 shares offered by the Company. The remaining shares will be taken up by the underwriters or their nominees in terms of the underwriting agreement. 5 ordinary share certificates were posted from Johannesburg on 26 June 1987 and will be posted from London on Friday, 3 July 1987.

Johannesburg
29 June 1987

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION p.l.c.

14% Debenture Stock 1993

Notice is hereby given that the Registers of the Corporation's above mentioned Debenture Stock will be CLOSED for TRANSFER and REGISTRATION from 17th to 31st July, 1987.

By order of the Board
Nigel B. Richardson, General Manager, 48 Palmerston Place, Edinburgh EH12 5BR.

29th June 1987

BEECHAM GROUP p.l.c.
ANNUAL REPORT 1987

NOTICE IS HEREBY GIVEN that the Annual Report for the year ended March 31, 1987 was posted to shareholders on June 29, 1987.

The Annual General Meeting is to be held at 12 noon on Wednesday, July 22, 1987 at the Grosvenor House, Park Lane, London, W.1.

By Order of the Board
I. M. F. BALFOUR
Secretary

GENERAL MOTORS ACCEPTANCE CORPORATION, GENERAL MOTORS ACCEPTANCE CORPORATION OF CANADA LIMITED, GMAC OVERSEAS FINANCE CORPORATION N.V., GENERAL MOTORS ACCEPTANCE CORPORATION (U.K.) FINANCE PLC and GMAC, AUSTRALIA (FINANCE) LIMITED

NOTICE IS HEREBY GIVEN to holders of Notes issued by the above companies that the Annual Report and Accounts of such companies have been published and lodged with Extel Statistical Services Limited. Copies of such reports may be obtained upon written request to GMAC (U.K.) Ltd., P.O. Box 11, Luton, Bedfordshire, England, LU1 2SE, Attention: Company Secretary.

APPOINTMENTS

APPOINTMENTS

Chairman at Allied London Properties

At ALLIED LONDON PROPERTIES Mr Morris Leigh has retired as chairman. Mr Geoffrey N. Leigh is appointed chairman and will continue as managing director. Mr Leigh will be appointed life president at the annual meeting in December and remain a director.

★

Mr Colin McLean, general manager of Hertz Leasing, has been appointed joint managing director of Hertz UK. He will continue to control the leasing division but not assumes additional responsibilities for Hertz's overall operation in the UK alongside Mr John Howard of Hertz Rent-a-Car.

★

Mr Colin Fisher has been appointed general manager, information technology, at LLOYDS BANK, from July. Mr Fisher, an assistant general manager in UK retail banking with responsibility for the UK commercial market, succeeds Mr Robert Marshall as head of information technology.

★

WIMPY INTERNATIONAL has made four appointments to its board: Mr Rod Smith, formerly personnel manager at Wimpy's sister company Pizzaland, has taken over as personnel and training director from Mr John Dalgleish, who has moved to the UB Restaurants board. Mr John Francis replaces Mr Ian Woodhead, who has also moved to the UB Restaurants board, as financial director. Mr Francis was UK financial accountant for United Biscuits. Mr David O'Sullivan has been promoted from development manager for Drive-Thru to franchise sales director. Mr Connol Coan takes up a new directorship on the board as he moves from estates surveyer for Wimpy to property director.

★

Mr Paul H. Greetham has been appointed full-time local programme director of the CALDERDALE COMMUNITY PARTNERSHIP. He was finance director with Portway Press.

★

R. S. CLARE & CO has made the following changes at board level. Mr Michael P. Ridley is appointed chairman of both the parent company and a contracting subsidiary Wilson & Scott (Highways) in London. He recently retired as manufacturing and distribution director of Burmah Castrol (UK). Mr Michael R. Barton, a director of R. S. Clare & Co since 1946 and chairman from 1977-87, and chairman of Wilson & Scott (Highways) since 1961, remains a non-executive director of the parent company. Mr Neville L. Biddle joins the board. He is a practising barrister with chambers in Liverpool.

★

THE SECURITIES AND INVESTMENTS BOARD has appointed Mr Michael Blair to be its director of legal services. Mr Blair joins the board on September 1 from the Lord Chancellor's Department where he is the Under Secretary in charge of the policy and legal services group with responsibility for the development of the courts and for the civil and criminal legal aid schemes. As director of legal services he will be the principal legal adviser to the board and will head the legal staff.

★

GENERAL AUTOMATION has appointed Mr Irvin Ella vice-president and managing director of GA's European operations. He will be based at GA's UK headquarters in Gerrards Cross, Bucks. Mr Ella joins from McDonnell Douglas Computer Systems Company, where he has held senior executive positions in sales, marketing, and technology development for the past 17 years.

Mr Irvin Ella, vice president and managing director of General Automation

★

Mr Roy S. Brown has joined the board of GLENCAST as financial director.

★

Mr John Smart has been appointed company secretary to THE DISTILLERS COMPANY and succeeds Mr Eddie Campbell who is moving to Glasgow as director of export administration for United Distillers Group.

★

ANCHOR FOODS has appointed Mr Paul Buckle to the newly created post of director of sales. He was previously business development manager at Beecham Bovril Foods.

Changes in sterling may hit sales permanently

By Janet Bush

TEMPORARY fluctuations in sterling may cause permanent damage to British industry, argues Mr Charles Bean, Reader in Economics at the London School of Economics.

Citing the sharp appreciation in sterling in the period from 1979 to 1982 and the surge in the value of the dollar between 1981 and 1986, he says such temporary overvaluations could lead to a fall in both the demand for and supply of domestically produced goods that would not be completely reversed even if the exchange rate returned to its previous level.

A deterioration in competitiveness of 20 per cent, sustained for only two years, would permanetly lower the level of British exports by 3 per cent, his research suggests. A period of undervaluation of sterling would then be necessary to restore the status quo.

For the same reasons, the dollar might have to fall a further 20 per cent to 30 per cent to restore the US current-account balance.

The tailing-off of North Sea oil in the next decade would require a significant real depreciation of sterling to attract resources back into exporting and import-competing industries.

Mr Bean argues that once export markets are lost, they are not easily regained. For a number of reasons, the demand for a company's product is likely to depend on previous sales levels.

First, existing concerns may produce such a variety of products that it may be difficult for potential entrants to find a market niche. Second, uncertainty about product quality may lead consumers to stick with products they have already purchased. Third, in some industries there may be significant costs in switching suppliers.

On the supply side, the significant fixed costs of entry into a market, such as the cost of establishing a distribution network, may mean that if a large exchange - rate appreciation forces producers out of foreign markets, they may not return, even if the currency returns to its previous level. A substantial undervaluation may be needed to encourage them.

UK NEWS

LONDON BUSINESS SCHOOL ECONOMIC OUTLOOK

Growth with low inflation forecast

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN can expect four more years of steady economic growth combined with low inflation now that electoral uncertainties are removed, the London Business School says.

In its latest Economic Outlook, released today, the LBS also forecasts a small deficit in the medium term on the current account of the balance of payments and a further, although decidedly modest, fall in unemployment.

It sets that forecast against the background of improving prospects for the world economy, with a steady pick-up in the international growth rate.

It warns, however, of the risk that the twin US current account and budget deficits might yet trigger a US and subsequently a world recession, which in turn would significantly damage the outlook for the UK.

On the basis of its central forecast, the LBS expects the Government to meet its target of a 25p basic rate of tax in the 1988 Budget.

It assumes that tax reductions in subsequent years will be concentrated on raising allowances.

The Government is nevertheless expected to overshoot its public spending targets — by £1bn in the current 1987-88 financial year and by as much as £8bn in 1990-91.

For this year, the LBS forecasts a 3.3 per cent rise in output, slightly above the Treasury's projection. Growth will be driven by buoyant growth in consumer spending and a strong export performance.

FORECAST SUMMARY

% change unless otherwise shown	1987	1988	1989	1990
Gross domestic product (output)	3.3	2.9	2.7	2.1
Inflation (consumer prices)	3.8	3.3	4.1	4.2
Components of demand (volumes)				
Consumers' expenditure	3.5	4.5	3.8	2.8
Total fixed investment	2.8	6.1	4.6	4.2
General government consumption	1.2	0.7	0.8	0.9
Stockbuilding (£bn 80)	0.8	0.5	0.6	0.7
Exports of goods and services	6.7	3.1	3.7	3.2
Imports of goods and services	4.4	6.4	5.7	4.9
Labour market				
Wages and salaries per employee	7.8	7.0	6.8	6.3
Average earnings in manufacturing	7.8	7.7	6.8	6.0
Registered adult unemployment (UK, m)	3.0	2.9	2.9	2.8
Current balance of payments (£bn)	1.4	−0.9	−1.6	−1.5

A strong supply - side response from manufacturing industry to last year's depreciation in the pound's value is expected to generate a 6.7 per cent rise in the volume of exports in 1987 compared with the rise of only 3 per cent seen last year.

For the three years from 1988, the Outlook's medium-term projections point to steady, if slowing, growth in the economy. In 1988 output is forecast to rise by 2.9 per cent and in 1989 by 2.7 per cent.

On the assumption of an unchanged exchange rate, the LBS expects manufacturing industry to continue to grow faster than the economy as a whole, with manufactured exports replacing falling oil output.

That in turn should lead to a strong revival in investment spending. For 1988, the LBS is predicting a 6.1 per cent increase in the volume of fixed investment, adding that capital spending is likely to continue to grow faster than the economy as a whole over the medium term.

Turning to inflation, the Outlook says the recent strength of sterling, the decision in the March Budget not to raise excise duties and the cut in the mortgage rate have restrained upward pressure since last summer's low point.

The underlying inflation rate appears to be falling and by the end of the year the recorded rate of retail price increases should be down to 3.5 per cent a year.

Beyond the beginning of next year, however, the pressures on inflation are likely to be upwards, with a slight acceleration in the pace of world price rises and earnings growth in Britain remaining buoyant.

The LBS says the Government could resist that pressure by allowing the exchange rate to rise. If it fails to do so, the inflation rate is likely to edge 4 per cent in 1989.

The forecast is least optimistic on the medium-term outlook for unemployment.

Although the recorded rate is expected to fall by 200,000 this year, the subsequent decline is expected to be slower. By 1990, some 2.8m people are likely to remain unemployed.

In spite of strong growth in exports this year, Britain's trade deficit is expected to widen over the medium term.

The impact on the current account, however, will be offset to a large degree by earnings on Britain's overseas assets, at present running at around £5bn a year. That points to a current-account deficit of around £1.5bn a year in the medium term, compared with the £1.4bn surplus anticipated for 1987.

For the world economy, the Outlook's central forecast is for a revival of the annual growth rate to 3.3 per cent next year from 2.5 per cent in 1987.

Inflation is forecast to accelerate from its 1986 lows, reaching an annual rate of 4.5 per cent in 1989, but is then expected to moderate.

Manufacturing gains may speed price rises

BY PHILIP STEPHENS

THE RECENT strong improvement in manufacturing industry's productivity performance might, paradoxically, increase inflationary pressures if the Government decides to take sterling into the European Monetary System, the London Business School says.

The official target of stable prices in the medium-term is likely to require a steady appreciation in the pound's value to offset domestic cost pressures and the impact of international price rises.

Strong growth in productivity has been cited as key factor in the economy's improved performance and his significantly offset the effect of earnings growth on industry's costs.

The LBS points out, however, that the surge in productivity gains has been confined largely to manufacturing, which accounts for only about a quarter of Britain's overall output.

Earnings in the services sector have been rising only slightly less fast than those in manufacturing industry but with a substantially smaller offset from productivity growth.

In those circumstances, the Outlook says, costs across the whole of Britain's economy are likely to rise faster than in competitor countries that have slower productivity in the manufacturing sector. Unless the exchange rate is allowed to rise, the result will be a worsening relative inflation performance.

It cites as evidence for the apparent paradox the relatively high rate of inflation in Japan during the 1960s, when that country's productivity performance was at the top of the international league. Italy, which also had rapid productivity growth, also suffered from faster price rises than average.

West Germany did not suffer in the same way because it mitigated the effect on prices of rising productivity by adjusting its exchange rate upwards.

The LBS concludes that unless there is an unexpected acceleration in productivity in the services sector, the gains in manufacturing will hinder the Government's aim of a steady decline in the inflation rate.

The eventual aim of stable prices is therefore likely to be achievable only if the value of sterling readily appreciates.

RPI 'should omit interest payments on mortgages'

By Our Economics Correspondent

MORTGAGE INTEREST payments, as the costs of owner-occupation, should be excluded from the calculation of the most widely used measure of inflation, a leading City economist argues today.

Mr Christopher Johnson, chief economic adviser to Lloyds Bank, says in the bank's latest review that Britain should follow the example of France, Italy and Switzerland and drop mortgage interest payments from the retail price index.

He acknowledges that there is strong support from consumers for their continued inclusion in the index, but says they needlessly add to the volatility of recorded inflation.

If mortgage costs had been excluded, the fluctuation would have been only between 3.2 and 5.6 per cent. At the same time, the higher inflation numbers damaged the cause of pay moderation more than the low numbers benefited it.

Mr Johnson puts forward a range of other arguments for removing interest payments from the RPI. Only three fifths of households are owner-occupied.

Most distorting of all, when the Government raises interest rates to curb inflation, mortgage rates go up, and so does inflation as measured by the RPI.

EIB advances loans of £42.5m

LOANS OF £42.5m for projects in Yorkshire, Cheshire, the Shetland Islands and Dyfed to help to remove obstacles to economic development in areas of high unemployment have been announced by the European Investment Bank.

The figure brings the total advanced to the UK for economic priority investments this year to £295m.

Yorkshire Water Authority gets £20m for water mains, sewerage projects and a sea outfall at Scarborough. Cheshire County Council gets £10m for road schemes and site reclamation aimed at aiding Merseyside. Shetland Islands Council gets £10m and Dyfed County Council £2.5m.

The labels come unstuck

JOHN PLENDER

THERE have been some strange juxtapositions in the news headlines of late. First we have Mr Gorbachev berating the men from Gosplan for their failure to satisfy consumer demands and calling for the decentralisation of the Soviet economy. Then we are told that Mrs Thatcher is becoming increasingly authoritarian as she seeks to impose a national curriculum on British schools and set a uniform business rate.

Role reversal is also becoming the norm in the antipodes. In the run up to the general election in Australia, the markets are worried about the size of the budget deficit that might result if the right-wing opposition comes to power; a victory for Mr Bob Hawke's Labor Party is regarded as bullish for the stock market. In New Zealand, a key question about the Labour Government's economic policies is whether they are more properly described as Reaganite or Thatcherite.

And what are we to make of the news from South Korea? Amid all the upheavals, President Chun Doo Hwan last week had a meeting with the co-leader of the opposition, Mr Kim Young Sam. Mr Kim called it a failure. But it did at least happen—and in a country which has long been regarded by the *bien pensants* of the west as one of the world's least lovely regimes.

Nobody would wish to defend the heavy-handed authoritarianism of successive South Korean leaders. But it should be said that President Chun, unlike former President Marcos of the Philippines, is not under attack for corruption. His opponents object, with justice, to his undemocratic proposals for the presidential succession. Yet he has at least refrained from proposing a dynastic solution of the kind adopted by Mr Kim Il Sung in North Korea, where opposition parties simply do not exist.

This brief catalogue serves as a reminder of the yawning gulf between traditional political rhetoric and the substance of the underlying politico-economic debate. If you really believe that the ideology of right and left, or of laissez-faire and dirigisme, still has some relevance to economic growth, try to make sense of a tour around the Pacific's more successful economies.

Since the Meiji Restoration, Japan has been dirigiste in economic management to an extent that would cause nothing but discomfort to President Reagan and Mrs Thatcher. South Korea's Government is chock-a-block with planners. Yet despite this handicap (as orthodox western economists tend to see it), the country's Economic Planning Minister, Mr Chung In Yong, has just announced a revised growth forecast for 1987, up from 8 per cent to 10 per cent.

Japan, South Korea and Taiwan are all thoroughly mercantilist in outlook and have enthusiastically protected both infant and adult industries. In contrast, Hong Kong has maintained open markets, while generating double figure growth rates. Yet Professor Milton Friedman's brilliant propagandising about Hong Kong as the ultimate tribute to the merits of laissez-faire is plain wrong, even though it continues to cast a spell over the makers of television documentaries. Hong Kong is in reality a highly unusual mixed economy where a sizeable budget surplus is used for investment in housing and infrastructure. In the vibrant private sector, entrepreneurs finance the businesses that generate most of Hong Kong's economic growth from their own family savings, while the stock market is largely given over to the property and the financial sector.

Where, then, is the real political divide? More often than not it is between the progressive radicals and the conservatives with a small "c"; between those who are prepared to take on the entrenched interests in society and those who choose to work with them. Mr Gorbachev and Mrs Thatcher are clearly in the progressive camp, which may help explain why they got on so well at their recent meeting, despite differences on defence. President Reagan and Mr Nakasone of Japan belong here too, as does Mr Lange of New Zealand, whose defence policy nonetheless offends Mr Reagan.

Perhaps these progressive radicals tend to have a presidential style, even when they are not operating in a presidential system, precisely because the attack on vested interests calls for the exercise of strong political will.

By contrast, most of the leaders of the newly industrialising countries are conservatives, which is understandable enough: the vested economic interests have not had as much time to take root and put obstacles in the way of economic adjustment. West Germany's Mr Kohl, on the other hand, must count as a pronounced arrieriste, by any standard. Britain's opposition leader Mr Neil Kinnock has the misfortune, in electoral terms, to be progressive on defence, but conservative in his attitude to the unions.

None of this should be taken to imply that there are no eternal verities in politics. In the final analysis, security is always more important than economics, even if Belgians or New Zealanders need to pay less attention to it than South Koreans. And there remains a clear-cut distinction between states that are committed to democratic freedoms and those that are not. But in economics it is surely time for idealogues to find a new vocabulary.

INTERVIEW

Manufacturing with passion

Terry Dodsworth talks to Karlheinz Kaske, chief executive of Siemens

IN DECEMBER 1985, Mr Karlheinz Kaske, chief executive of Siemens, the world's fourth largest electrical and electronics group, was telephoned by a New York investment banker with a tempting proposition. Did he want to buy ITT's telecommunications company in Europe, a deal which would have turned Siemens into the second largest telecommunications company in the world?

"I had to tell the banker that it would be unthinkable for Siemens to acquire these ITT businesses," he says. "The West German Cartel Office would never have allowed it."

Mr Kaske tells this story to illustrate the shackles imposed on European companies by what he regards as a hotch-potch of outdated regulations. It is also one of his responses to the charge that West Germany runs a protectionist policy in favour of its large manufacturing companies, sheltering them at home to give them a base from which they can compete more effectively overseas.

On the contrary, he says, West Germany runs the toughest monopolies policy in western Europe, much tougher than France, the home base of Alcatel, which eventually carried off the ITT business.

In the past few years, Mr Kaske, Siemens and West Germany have had to take plenty of criticism on the protectionism issue from the US: as the largest electrical and electronics combine in Europe it is a natural target. But the pressure from America also intensified enormously during the notorious Compagnie Generale de Constructions Telephoniques (CGCT) affair, in which Siemens was pitted against American Telephone and Telegraph in a bidding contest for the French telecommunications company.

Both Siemens and AT&T were beaten at the last minute by a compromise takeover proposal from Ericsson of Sweden. But the affair still rankles.

First of all, says Mr Kaske, the bid for CGCT was "mainly a French story. The French Government came to us and asked us to make an offer."

Second, the West German telecommunications market is relatively open—40 per cent is held by imported goods; and Europe has proved a happy hunting round for the Americans.

Third, the American public switch business is not an easy one for a foreign company, despite the much-vaunted US liberalisation. It has cost Siemens $200m (£125m), he says to adapt its products. Merely to submit documents to Bellcore, the equipment testing agency, cost $10m in fees. "You can do the same thing at the Deutsche Bundespost for nothing."

Fourth, Dr Kaske contends that Europe's fragmented regulatory structure is a disadvantage for European companies in world markets. Each country has inevitably developed its own technology. Yet the US, with a third of world sales in electrical and electronic goods, about eight time bigger than the West German market, has a common set of standards. This gives American companies—and to a lesser extent, the Japanese—a great competitive advantage, particularly in research and development costs.

● PERSONAL FILE

1928 Born in Essen

1950 Doctorate in Physics; joined Siemens

1953 Lecturer in mining school at Aachen

1960 Rejoined Siemens

1967 Adviser to Fuji Electric

1975 Member of Siemens's managing board

1977 Head of the energy technology sector

1981 Chief executive

It only seems a step or two further to the proposition that Siemens could be heading for trouble, weighed down by the problems of Europe. Indeed, the West German group has often been criticised as a prime example of a company infected by "eurosclerosis," slow-moving and bureaucratic, steadily losing the ability to innovate and compete effectively in world markets. Even evidence of the company's success—its cash mountain of about DM 20bn (£6.8bn)—has been attacked as indicating weakness in shifting resources into expansion.

If Mr Kaske has doubts on these issues, it is difficult to detect them. He believes it is important for Europe to develop common standards that will reduce barriers to trade. But there is no suggestion that the battle has been lost to the foreigners. Quite the contrary. "We are absolutely competitive wordwide," he says. "Our exports are higher than other countires' an dour quality and performance is as good."

Delivered by many European executives, this sort of assessment of his company's prospects would sound like a bad case of corporate self-delusion. But Mr Kaske, a large, somewhat rumpled-looking man who speaks impecable English, has a way of sounding utterly objective in his judgments, like a scientist drawing the only logical conclusion to a series of propositions.

This sense of purpose and self-confidence flows from an intimate knowledge of the company and its markets. Indeed, Mr Kaske is typical of a West German managerial caste which lays great emphasis on technical expertise, methodical planning and long-term technology.

A physicist, who took his doctorate at the precocious age of 22, he has been with the company for 37 years, apart from a seven-year aberration when he taught at a mining school in Aachen. He rose fast through the managerial ranks, becoming chief executive at 58. He has had plenty of exposure to the toughest overseas markets, having spent a year as adviser to Fuji Electric, Simens's long-term associate in Japan.

Indeed, it would be hard to find a subject on which he speaks with more passion than manufacturing, and he takes issue with trends in the US. American companies, he says, have displayed a cavalier attitude to their manufacturing base. He traces many of the trade deficit problems to self-inflicted damage caused by losing key elements of electronic production.

"It is a trend which started about 25 years ago when the US gave away consumer electronics manufacturing to the Far East," he says. "Consumer electronics is that part of the business which uses a high volume of semiconductor products. So the Japanese got two things at the same time—first they took control of the consumer products and then they moved into the manufacturing of the microelectronics which go into them."

America is still falling into the same trap, he adds. "Five years ago, the same mistake was made when IBM and others went and gave away their designs of personal computers to be made in Taiwan, Korea and Singapore.

During his six-year stint as chief executive, Siemens has, if anything, intensified its commitment to manufacturing, pouring funds into research and development and investing heavily in electronics. R and D spending jumped from DM 3.2bn in 1981 to DM 5.4bn last year, a ratio of 11 per cent on sales. In the same period capital investment leapt from DM 2bn to DM 6.1bn.

This acceleration of development in the electronics field has done a great deal in the last year or two to counter the charge that the company was stagnating. It is also making Siemens look increasingly like an integrated electronics group of the type which has been championed in Japan.

In leading this policy change, Mr Kaske is believed to have done more than a little forecful nudging in the corridors of power at Siemens. But his explanation of the strategy categorises it as natural evolution. "Siemens has always tried to be in phase with market changes," he says. "We have to be where the markets are, technology-wise and country-wise. If you cannot sell a mechanical typewriter any more, you have to make an electronic one."

It is easy to criticise Siemens—many do—for following the market rather than leading it. Yet it is hard to deny that the company can be extremely effective at using its fire power when it has spotted an opportunity—witness its move into the US at the beginning of the 1970s.

Expansion in America was undertaken because of a realisation that Siemens's traditional export business in Third World infrastructure projects for power stations and electrical installations was likely to stagnate. In the event, the oil crisis has more than vindicated Siemens's approach. "There are some parts of the world where there is no money left," says Mr Kaske. "The great thing about the US is that those people have money to pay."

The US is an equally good example of Siemens's conservative, step-by-step, long-term approach to business. In the last 15 years, the group's American sales have risen from about $50m a year to $2.6bn and employment has risen to 26,000. It will soon be a net exporter from its US factories. Yet, up to now, says Mr Kaske, Siemens has not booked a cent of profits from its US investment.

To wait that long for earnings to show up illustrates three things: the group's extremely cautious West German accounting tradition, the solidity of the balance sheet that allows the company to take the long view and its shee patience.

An acid test of good intentions

JUSTINIAN

JUST AS the Queen's Speech was politically emollient in its promise "to maintain and improve" the National Health Service (as Joe Rogaly described it on Friday) so the avowed approach to law and order is, for this government, uncharacteristically rational and unemotional in tone.

Absent from the speech was the usual language of the battlefield—"the war against crime," the "fight against criminals" and other such distracting phrases which provide the staple diet of unthinking politicians. The Government intends instead to "remain determined to tackle the problems of crime." It goes on to reveal plans to augment the resources of police forces and to establish a national crime prevention organisation. Will the reality match the realism, given this Government's record of a barely muted, punitive approach to crime?

The immediate instrument for effecting the Government's policy towards crime will be the projected Criminal Justice Bill, the bulk of which will be a hangover from the last parliament. Refinements and additions to the bill, introduced last November, and which had passed through the Commons but reached only the Second Reading stage in the Lords, may be confidently predicted. The bill will be a miscellaneous collection of generally uncontroversial provisions. The setting up of the Serious Fraud Office, in compliance with the recommendations of the Roskill Committee, went through on the nod just before the dissolution. That represented a significant step towards modernising the criminal justice system when dealing with complex fraud cases. The legislation did not, however, contain the recommendation to set up a special tribunal of a High Court judge and two professional assessors in place of jury trial.

The residue of the old bill is replete with provisions that will command general approval but also a few that will arouse opposition from both sides of the House. The bill will include new rules of evidence—witnesses giving their evidence across national boundaries via a live video-link and for testimony from children in cases of sexual and physical abuse to be similarly receivable; a limited extension of the court's powers to order confiscation of the profits of crime under the Drug Trafficking Offences Act 1986 to other offences where the value of the offender's profits is at least £10,000; the placing on a statutory footing of the Criminal Injuries Compensation Scheme, which has operated successfully on an ex gratia basis since 1964; and a major reform of the UK extradition law so as to simplify dramatically the method whereby fugitive criminals can be surrendered to foreign, non-Commonwealth countries.

Two provisions in the old bill have already provoked a degree of hostility. The proposal to abolish the right of the defence to a peremptory challenge to jurors has almost aroused cries of horror from defence lawyers and civil libertarians. The Government will hardly be shaken if this single incursion into a jealously guarded protection to accused persons in jury trial is rejected (as it might well be) by the Lords. The Government will be rather more unhappy if it loses its attempt to deal with "over-lenient" sentences passed in the Crown Courts, since the Prime Minister has been vocal in promising a reform that has wide public appeal.

The clause in the old bill would empower the Attorney General, where he considers that a sentence by the Crown Court raises a question of public importance, to refer the case to the Court of Appeal. That court would then be able to express an opinion on the sentence passed and the principle of sentencing to be observed in similar cases, without having any power to alter the sentence.

The Lord Chief Justice, Lord Lane, expressed, during the Second Reading in the Lords, his dislike for any such provision. But unlike other opponents, Lord Lane would like the prosecution to have a right of appeal against any inadequate or inappropriate sentence by a trial judge, with a specific power in the Court of Appeal to increase the sentence. While such a proposal would find support within the judiciary and among some criminal lawyers, it instinctively arouses in many people the view that such a power would smack of "double jeopardy," and would be inimical to the concept of English justice. The likely debate in and out of parliament will focus on the role of the prosecution in a criminal trial, which has become easier to define since the establishment last year of a national Crown Prosecution Service in place of 43 prosecution authorities.

None of this remotely touches the most pressing problem of society's response to crime. Imprisonment is still the core of the English penal system, and despite efforts to encourage courts (with some marked success) to use non-custodial penalties, the prison population, much of it in squalid conditions, grows at a pace that no amount of increased accommodation will deflect. The Government's predictable response has been to engage in a prison-building programme at huge cost in terms of capital outlay and annual maintenance. Toying with the idea of creating a private sector, even if confined to remand prisons (for those in custody awaiting trial) will do nothing to alleviate the overcrowding. And establishing private prisons will simply store up trouble with both prison staff and inmates. It will be the Government's penal policy towards offenders that will provide the acid test of its good intentions.

FINANCIAL TIMES SURVEY

Just as the M4 motorway provided the impetus for development west of London, so completion of the M25 orbital route around London is now spurring regeneration of the North Kent Coast between Dartford and Sheerness, resulting in the growth, reports **Alastair Guild**, of . . .

An Eastern Corridor

Dartford's £20m International Ferry Terminal opened last October: a boost for the area's economy

WHEREVER YOU look, from London's docklands, past Dartford and along the coast to Sheerness, there is one inevitable conclusion. The scale and intensity of investment which prompted that now well worn cliche, the Western Corridor, currently justifies talk of a similar phenomenon being under way to the east of the M25.

There are crucial differences. The coastal strip's economy was, until recently, more reminiscent of parts of the North than the largely green field, campus-style developments to the west of London. There is also less emphasis, so far, on high technology.

But just as the M4 provided the impetus of development west of London, London's orbital route has provided the spur to the east, easing the transfer of freight, improving access to markets and to London, and bringing Gatwick and Heathrow within one hour's drive.

Thanks to this last improvement, American companies, which haven't so far considered Kent, are now taking a harder look, encouraged by its still competitive property prices. Industrial land, for example, costs between only £75,000 and £300,000 an acre compared with £1m an acre in the Western Corridor.

But other factors have combined to stimulate interest in the region, not least North Kent's six enterprise zones, the lead taken by its five councils, and the Kent Economic Development Board in employment promotion, and more recently the prospect of a Channel Tunnel.

The omens were not always so promising. In 1980, the manufacturing branches of 10 major companies were operating from factories into which they had moved 20 to 30 years before, making them increasingly uneconomic and uncompetitive. They included BP's oil refinery, Metal Box, and Reeds paper mills. "They all reached the end of the line at about the same time and closed down," says David Homewood, economic development consultant for the area. "Ten companies out of a total of 2,000 may not seem a lot, but they were the big employers and between them some 6,000 people lost their jobs overnight."

Unemployment rose to more than 14.5 per cent and showed no sign of stopping, with a knock-on effect on smaller companies. At the same time, the Government announced the closure of Chatham Dockyard by 1984, adding several thousand to the number unemployed. A rise to 25 per cent in the Medway towns was predicted.

In the event, it peaked at 18.7 per cent in January 1985, is now 13 per cent and is expected to fall to 11 per cent and possibly further. Unemployment in Dartford, which rose to 12 per cent with the decline of traditional industries such as cement and papermaking, fell by 5 per cent in five years. In Swale, the average is 13 per cent, approaching 20 per cent on the island of Sheppey, but it too is managing to counteract the closure of the naval dockyard at Sheerness back in the 1960s.

In the regeneration of its economy, North Kent is not starting completely from scratch. Those companies that did survive the recession have provided a solid industrial base upon which to build. Pharmaceutical company, Wellcome, for example, one of Dartford's longest established employers, with a staff of 2,700 is continuing to expand.

One of the area's largest employers is GEC Avionics. In the past 10 years it has increased its workforce by 1,700 and now employs 6,000. It has also doubled its factory floor space since 1977 to 1.05m sq ft. Each year, it places orders worth over £1m with local companies for a range of materials and services. Other long established firms operating in North Kent include Lucas CAV and Bowaters UK Paper.

In Dartford, market forces and, in particular, its close proximity to London, have generally been sufficient to bring about new development.

In the Medway towns, on the other hand, a certain amount of enticement has been required, partly in the form of the capital allowance and rate-free periods available in enterprise zones, of which there are now six.

Their effect on the movement of investment within North Kent in general may have raised some questions. Parts of Swale might on the face of it have justified a zone or two. Yet the enterprise zones to the west have if anything diverted investment away from the borough, which has instead put together its own incentives to compete, including rent and rates packages. It has also concentrated on providing smaller units, a niche in the market, until recently not fully met by the zones, and stressed the greater availability in the borough than elsewhere of freehold land at reasonable prices.

Within the Medway towns, the granting of EZ status has benefited both the zones and industrial estates beyond. In the first year after enterprise zone status was given to five sites, 90 of the 120 companies coming to North Kent went onto non-EZ estates. Now, only 4 per cent of industrial premises without EZ status are vacant.

Over 150 companies employing some 3,400 have set up within the five zones established in 1983—Chatham Maritime, on part of what was the naval dockyard was declared in 1986. Of those 1,000 represent net job gains to North Kent.

One of the most significant has been Japanese packaging manufacturers, Fuji Seal, which is starting production on its Gillingham Business Park site within the next month or so. It is the first Japanese company to set up in Kent, and, in the nature of things, more could follow. Kent Economic Development Board reports that inquiries from Japanese companies have "shot up" since Fuji Seal chose North Kent.

There are also some European firms looking at the possibilities of establishing a base in North Kent. Heras, a Dutch company making security fencing, recently set up a basic assembly operation in Sittingbourne, and, if it achieves a significant penetration of the UK market within three years, will commence manufacture on land it bought excess to its immediate requirements.

The hope is that those companies with a distribution base established will be persuaded to bring their manufacturing operation to North Kent also. Tiffany Foods is the first example.

Mr Homewood is now handling business enquiries for Gravesham, Rochester and Gillingham at a rate of 20 a week, compared with 60 a year when the three councils decided to adopt a joint promotional strategy six years ago. He expects 150 of the 1,000 enquiries a year to convert into decisions to invest in the Medway towns. It could be higher if land remaining within the enterprise zone is developed.

One of the areas of greatest future potential is the former Chatham dockyard, only recently cleared by English Estates at a cost of £10m. It has already attracted £25m in private sector investment, and expects investment to total £300m by the end of the 10-year development period creating jobs and housing for 5,000 people.

There will be scope for major office relocations within the 350 acres being marketed by English Estates. Indeed, Ian Parker, its project director, believes that the presence of Lloyd's of London administrative headquarters close by will start other large organisations thinking about Chatham's advantages. Lloyd's employs 1,100 in its 200,000 sq ft building.

"We hope that groups from the financial sector will be attracted to move into the area," says Alan Pollard, senior resident manager at Chatham. "We cannot expect to attract certain types of staff to an area where we are the only major employer. This applies particularly to those involved in the development of data processing systems."

He believes that there will be real advantages in having competition for key jobs and that a steady growth in financial organisations will provide career development opportunities within the Medway towns and "create a commercial centre rivalling most others, with the possible exception of the City itself."

The recent decision by Black Horse Life to move its headquarters into Mountbatten House in the centre of Chatham, a block which had been vacant for some time, was an indication that this trend may already be under way.

There is scope for diverting some of the pressure for office space in the west of the county to North Kent, according to Lesley Egan. "Many companies tell us they want office space in the centre of Sevenoaks or Tunbridge Wells, for example. We say terribly sorry but their policies of restraint don't give much scope. We then try to entice them with the advantages of North Kent, particularly its communications advantages.

North Kent stands to gain, in addition, from the Channel Tunnel project, with the M20, once complete, providing a direct motorway link between the area and the tunnel's freight terminal at Ashford, itself unlikely to be able to fully absorb the pressure for development. Faversham is already used as a centre for the packaging and distribution of food to supermarkets nationwide.

"We won't suffer the infrastructure and environmental disruption, but we are extremely well placed to pick up a lot of industry and business from it which cannot be accommodated in the south of the county," says David Homewood.

NORTH KENT: BASIC FACTS

Population: 520,000

Local Authorities: Gillingham 0634 50021
Gravesham 0474 337405
Rochester upon Medway 0634 436666
Swale 0795 24341
Dartford 0322 27266
Kent County Council 0622 671411

Higher Education:
Mid Kent College, Chatham 0634 44470
University of Kent, Canterbury 0227 66822

National Research Establishments:
Tropical Development and Research Institute (opening February 1989)

Development Status:
Non-assisted but with six enterprise zone sites in Gravesend, Rochester and Gillingham

Contacts for assistance:
North Kent Enterprise Office, Civic Centre, Strood, near Rochester, Kent, ME2 4AW.
Contact: David Homewood 0634 732716
A joint body backed by the boroughs of Rochester, Gillingham and Gravesham.
Swale Enterprise Agency, Unit B4, Smeed Dean Centre, Eurolink, Sittingbourne, Kent, ME10 3RN; 0795 27623
Kent Economic Development Board, Brenchley House, Week Street, Maidstone, Kent, ME14 1RF; 0622 679976
North-West Kent Enterprise Agency, 2A, Hythe Street, Dartford, Kent, DA1 1BT
English Estates, Pembroke, Chatham, Kent, ME4 4UF; 0634 815081

Nearest International Airports:
Gatwick—40 miles
Heathrow—55 miles

Chatham

Fresh future for the dockyard

THE CLOSURE of Chatham Dockyard founded by Henry VIII, provided a chance in 450 years to secure a future for the Medway towns. At its peak, 18,000 were employed within the one square mile complex, with its unique collection of historic buildings, three water basins and 1½ miles of waterfrontage.

By the time the 1981 Defence Review confirmed the closure, unemployment in the Medway towns had reached 14.5 per cent. With the government decision came predictions that it could rise to 25 per cent. Optimism has now returned, however. A trust has been set up to develop the area's tourism and leisure potential. English Estates is dealing with a gathering momentum of inquiries to develop industrial, commercial and housing schemes and Medway Ports Authority is bringing life back to the port.

Rochester and Gillingham Borough Councils and Kent County Council, in an initial assessment of the dockyard, came to several key conclusions:

—the oldest part, comprising 80 acres and 60 important ancient monuments had to be protected and its tourism opportunities realised;

—the majority of the 2m sq ft of premises in the central area were useless, had no historic value and could not be converted for modern industrial use. At the same time, the 350 acres that could be readily redeveloped was too large for any single developer to handle. So there was a danger that piecemeal development might result, a possibility the councils were not prepared to contemplate;

—three waterbasins, each of 25 acres, were in good condition and could provide an unique focus for future developments;

—the roads network leading to the dockyard was poor. It had handled mainly cars, with most freight being brought in by ship, so if the dockyard was to generate industry and lorries, Chatham's road network would need improving.

The three councils agreed that the historic area should be handed over to a trust to create a "living museum." The government injected £11m into the Historic Dockyard Trust, but it was soon discovered that just to put buildings back into good order was going to cost £25m.

Since 1984, the trust has spent over £5m while, with sound investment advice, the capital endowment has retained its value, now standing at £12m. "Our next step is to seek to raise the necessary funding, whether from grant aid or participation from the private sector," says Bruce Robertson, general manager of the trust.

"This is the largest concentration of scheduled ancient monuments in the UK and the most complete Georgian dockyard in the world. We are presented with the major challenge of keeping the character of the buildings but at the same time ensuring they are not mothballed, by putting new and appropriate uses into their rightful place. Wherever possible, we're encouraging commercial activities of interest to visitors, particularly in the craft sector."

There are already close to 40 businesses operating in the historic dockyard, with a total workforce of 250. Chatham Flag and Colour Loft, for example, is making flags on the site where flags for Nelson's Victory would have been made. A former guard house is being taken by a firm that specialises in computer programming for maritime applications. An old ropery has been restored at a cost of £3m, and visitors can now watch ropemakers making ropes using old ropemaking machinery.

The docks have been attracting over 50,000 visitors a year, and the total this year is expected to show a 50 per cent increase. "We see a steady growth year by year as we bring on new attractions, something for a return visit," says Bruce Robertson.

The target for 1990 is one quarter of a million visitors. Then the trust plans to hold a major exhibition of wooden shipbuilding in the Mast House and Mould Loft, expected to cost £3m to renovate. In 1995, with an exhibition telling the story of the construction of iron clad ships, the visitor total is expected to reach ½m.

But Bruce Robertson sees the trust having a broader aim, of creating "a living community, providing a pleasant infrastructure for the growing business and residential community in Chatham." Nine acres of the dockyard has been designated for housing, and the trust is now in negotiation with developers for the refurbishment of a Georgian terrace, formerly officers' housing, to create houses likely to fetch £4m, with the trust retaining the freehold.

"We see our work and the plans of English Estates as being complementary. There is, indeed, every possibility that some of those working within the area being developed by English Estates will live in trust houses," says Mr Robertson.

Driving in his jeep across what at present has the appearance more of a bomb site, Ian Parker, English Estate's project director, enthusiastically points out the unique possibilities presented around the large basins and long river frontage, now that the 2m sq ft of redundant buildings have been flattened, and a new spine road and public utility services are nearing completion.

"We have four aims: to secure comprehensive redevelopment, stimulate economic activity, create diverse employment opportunities, and maximise the private sector's participation. We expect a massive investment leverage, from a £10m government injection, of a total of £300m private sector funds over the whole scheme. At the same time, 60 acres of the 350-acre site benefits from having enterprise zone status until 1996, beyond any other.

"We are seeking to complement what is on offer in the other enterprise zones in the area.

The hope is that Chatham Maritime will develop into a mixed community, with 5,000 people living and 5,000 working there.

The first 400 jobs were secured when two departments of the Overseas Development Administration agreed to take a lease of some 300,000 sq ft of the former Pembroke Naval Barracks. Mr Parker says he is now receiving inquiries from large companies wanting to relocate, and high tech companies being forced out of the corridor west of London by the high house prices.

The first commitment from a developer to build on cleared land came at the end of April, with the decision by Wilson (UK) Developments to construct 60,000 sq ft of traditionally-built speculative offices in two blocks, modelled on the style of the Pembroke barracks. The company won the scheme in competition with 14 other developers. With two further office projects announced at the same time, the private sector has already committed £25m.

Units range in size from 50 start-up premises in an enterprise village planned by the local Enterprise Agency and costing £1.5m, financed possibly partly by an urban development grant and partly by private

Continued on Page 2

Future for dockyard

Continued from Page 1

money, to units of 100,000 sq ft for major office relocations.

At the same time, English Estates has earmarked the area in and around two of the basins for a new 900-berth marina, with restaurants, shops, offices and housing, while much of the housing development will be kept to the waterfront along the north of the Chatham Dockyard.

The third, or eastern basin, remains the working dock for the Chatham Dock Company, part of the Medway Ports Authority. The MPA has already created four ro-ro berths, each costing £25,000 and has plans for a fifth. However, much of the investment in the port has been by the tenants, some £3m of the total of £9m invested since the transfer to the MPA from the Ministry of Defence under a 999-year lease. Indeed, the fifth berth, now awaiting the result of an appeal against planning refusal by Gillingham Borough Council, would be a joint venture between the authority and one of the carriers, Norfolk Line.

With Norfolk and four others operating out of Chatham, the port last year handled 1.4m tonnes, mainly from the Continent, the Baltic and the Mediterranean, and now employs approaching 500.

Chatham is designed to fill the gap in the market, which MPA feels is not being met by either Sheerness with its brand new terminals which can prove expensive for small vessels, nor by the private wharves along the Medway often unsuitable for modern ro-ros.

However, the prospect of increasing traffic into and out of the dockyard area as a whole—the port alone is generating 1,000 lorry movements a day through Chatham—is leading to demands for a new direct link to the A2(M2) and M25 motorways and a third bridge across the Medway. Kent County Council has agreed that the scheme, costed at over £40m, is necessary, but it is unlikely to get underway before 1993, unless private sector and or central government finance is forthcoming.

Alastair Guild

Enterprise Zones

A turnround in perceptions

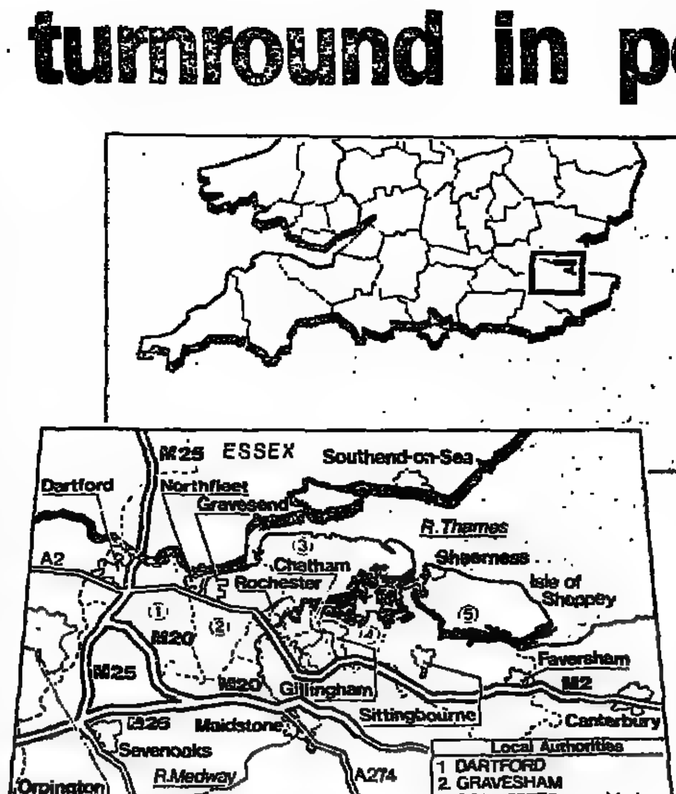
IT IS DIFFICULT to find anyone in North Kent with anything but praise for enterprise zones. The proportion of distribution and warehousing to manufacturing may be higher than might have been hoped, while some of the companies taking advantage of the financial incentives on offer have been relocations from elsewhere in the south east. But without them it was likely that much of the dereliction left behind by declining traditional industries would have proved difficult to clear. Most important, perhaps, is the change they have wrought in the public perception of the area.

"In pre-enterprise zone days, investors were reticent about putting money into North Kent," says David Homewood, North Kent's economic development consultant. "With the declaration of the first ones, investors started to sit up and take notice of the area's potential. Last year, £40m was invested in new industrial premises. So far this year, we have been notified of £100m of investment, most of it committed to enterprise zones."

But they have also brought a turn around in the fortunes of non-EZ industrial estates. "Small to medium sized companies, initially attracted by the publicity given to the enterprise zones and unable in the early days to find suitable premises, liked what they saw on existing industrial estates, and bought premises. Of the 120 companies that moved into the Medway area in the first year of enterprise zones, 90 went on to non-EZ sites."

Of the five enterprise zones declared in 1983—Chatham Maritime was added three years later—some have proved easier to develop than others. One of the most successful has been the Temple Enterprise Estate in Rochester. Factory closures left 750,000 sq ft of the 1m sq ft of industrial premises on the 100 acre site empty, much of it large space, averaging over 100,000 sq ft and dating from the 1950s and 1960s.

Within three months of EZ status being given, all except one of these buildings had been bought by companies for refurbishment. Tesco spent £5m on the refurbishment of 300,000 sq ft for a major distribution depot, Nestledown, the bedding manufacturers, moving from Maidstone where it occupied 45,000 sq ft, took 70,000 sq ft while Stonefield, involved in truck assembly and gear box manufacture, took 100,000 sq ft.



Every available plot of land within the zone has since been taken by speculative developers. Blue Circle, for example, is holding 120,000 sq ft. Since Temple Enterprise Zone was declared, 1,200 jobs have been brought back to the area, while new speculative building is likely to bring a further 600 jobs on to the estate within the next 18 months. Meantime, most of the factories around the zone's fringes have expanded. One developer built 80,000 sq ft of speculative units just outside the zone's boundaries, and it was sold before construction was complete. Gillingham Business Park, with direct access to the M2, via the A278 dual carriageway, has proved to be another success story, though there has been a greater bias towards distribution and warehousing than was originally envisaged. "The park has begun to change the public's image of Gillingham as a whole," says William Ault, the borough's development officer.

The borough council has retained the freehold to the 120 acre site, granting a long lease to the developers Grosvenor Estates. As landlord, it also has a say over design and layout. "It has been a deliberate policy of the council and Grosvenor Estates to stage development and carefully pick and choose developers," says Mr Ault.

Since 1983, a further 300,000 sq ft has been built within the zone, with 40 acres left for development. With 1m sq ft already complete or under construction, 1,300 new jobs have been created. The target is 2m sq ft with over 2,000 jobs.

The close links between Gillingham and Japan—the borough is twinned with the towns of Yokuska and Ito—was one factor in the decision of packaging company, Fuji Seal, to purchase a three acre site on the business park last autumn.

Other companies with manufacturing on the park include Tiffany Frozen Food, bringing 100 jobs, and Ameeco Hydrospace, part of Plessey, and making high tech underwater systems. Much of the remaining space is taken by distribution.

The latest speculative buildings of two self-contained headquarters offices were recently completed. The larger building of 37,600 sq ft has office capacity of 8,550 sq ft while the smaller one of 20,250 sq ft has 4,370 sq ft with rents for both expected to reach £4.20/sq ft. All previous speculative phases have been let and are fully occupied.

Medway City Estate in Rochester encountered initial difficulties, but has since become North Kent's fastest growing industrial estate. Built on mud flats reclaimed from the River Medway, much of the area comprised soft infill. It was in multiple ownership, but the owners did not have the resources to put in the services that would be necessary to make industrial development feasible.

So Rochester-upon-Medway city council bought 7.5 acres of enterprise zone land under an agreement that all the purchase money was to be used to fund the provision of infrastructure. Two years later, once the roads were built and services provided, the council sold the land — at a profit.

Of the 75 acres with EZ status, 30 acres have since been taken by owner occupiers. Vaillant, manufacturing radiators, moved its head office and distribution centre from Hounslow near London, taking 15,000 sq ft with 100 employed. Burnhill moved its distribution of Zanussi products from Northfleet, occupying 25,000 sq ft, while Neptune Industries, a Norwegian company in a joint venture with Unichem, employs 50 in the production of disposable nappies, expecting to build up to 80 employees. Reader Insulations, distributor of insulation and roofing, relocated to the estate from Maidstone, while local company Cliffe Construction took the opportunity to move in and expand.

The remaining 45 acres has been bought by eight speculative developers.

Of the two enterprise zones in Gravesham, Springhead, on a greenfield site four miles from the M25, is the furthest advanced. The borough council retained the freehold, granting a long lease to St Modwen Properties. The enterprise park is virtually complete. The largest unit is a 98,000 sq ft computer-controlled distribution centre, but there is a range of smaller units, of up to 20,000 sq ft, two of them already occupied and the remaining two let. It is hoped to provide a total of some 800 jobs on the 28-acre park.

The 40-acre Imperial Business Estate has proved to be more problematic. Reads estimated it would cost £4m to clear the site of its old paper mill and put in a new access road, and that it would require both enterprise zone status and an urban development grant to make it viable. The UDG was not forthcoming so it sold on to Thomson Properties.

Thomsons put a bitumen and cement tile plant onto the site, bringing only 150 jobs. The borough council has been in negotiation ever since to get the area made available for higher levels of employment and light industry. Recognising that £4m would still be needed to clear the site Gravesham waived its objection to a retail element within the zone, with money from an Asda superstore development contributing towards the cost of clearing the land and putting in a new £1m road through the site.

Alastair Guild

Manufacturing

NORTH KENT'S BIG MANUFACTURING COMPANIES

Name	Location	Ultimate Holding Co.	Turnover £m	Year End	Sector
GEC Avionics	Rochester	GEC	369.6	3/86	Electronic equipment
Scott	Northfleet	Scott Paper Int. Inc.	201.298	12/85	Papers and tissues
Bowaters	Sittingbourne	Bowater Industries	127.059	12/85	Paper
Britannia Refined Metals	Northfleet	—	103.392	6/86	Non ferrous metals refining
Erith Oil Works	Erith	Unilever	96.3	12/85	Vegetable oils
Sheerness Steel	Sheerness	Co-Steel Inc.	94.05	12-85	Steel production
Meyer, Newman	Erith	—	80 149	8/85	Scrap metals
Hunter Saphir	Faversham	—	73.649	2/86	Food
Akzo Chemie UK	Gillingham	Akzo NV	71.605	12/85	Chemicals
Unwins Wine	Dartford	—	62.963	2/86	Off-licences
Abbott Laboratories	Queensborough	Abbott Laboratories	61.132	11/85	Pharmaceuticals
Shell Research	Sittingbourne	Shell	56.4	12/85	R & D
Townsend Hook	Rochester	News International	56.228	6/86	Paper making machinery
Fisher Controls	Rochester	Fisher Controls Int. Inc.	52.3	12/85	Instrumentation
APV Hall	Dartford	APV Baker	36.352	12/85	Refrigerating machinery
Kippon Electricals	Sheerness	Glasta SA	31.7	12/85	Electronics/ OP equipment
GKN Kent Alloys	Rochester	GKN (UK) plc	21.4	12/85	Non-ferrous Castings, Wheels

Other groups with significant operations in the area include: Wellcome, Dartford (pharmaceuticals); Vickers, Dartford (engineering); Edmund Nuttall, Erith (civil engineering); Lucas CAV, Gillingham (automotive equipment).

Source: Jordans, Brunswick Place, London, N1 6EE.

Dartford

Investment on a massive scale

NORTH WEST Kent is, in many ways, a mirror of south west Essex across the Thames. Their landscapes, much of it worked out quarries are gradually being transformed with private sector investment on a massive scale.

Nowhere is this more evident than in Dartford. In a 50-50 joint venture, Blue Circle Industries, which owns one quarter of the borough and Municipal Mutual Insurance have completed the first phase of the £20m Dartford International Ferry Terminal, while negotiations are already underway with several large companies interested in taking space within Crossways 25 Business Park, the DIFT's sister project.

The transformation of Dartford's landscape has been matched by its changing industrial profile. All but one of its traditional major employers of engineering, cement, paper and pharmaceuticals have scaled down dramatically in recent years. The drugs company, Wellcome is now Dartford's largest employer, employing some 2,700 in administration and manufacturing. Vickers, making furniture, is the second most significant.

The fall in unemployment, from 12 to 7 per cent in five years is a measure of Dartford's ability to cope with changing industrial requirements. It prides itself particularly on the number and range of smaller companies, employing between 50 and 60, and on the range of abilities within its pool of workers, with currently around 80 per cent made up of managerial, skilled or semi-skilled people.

Dartford also believes it is an ideal location for companies seeking to escape the high overheads of London, while remaining within easy reach of the main centres of population.

Just 17 miles from London, it is already in a prime location astride the M25 and A2 trunk roads. Communications will be further improved by the construction of a third Thames crossing. The enabling bill is now before Parliament, with completion of the four lane bridge, at an estimated cost of £86m, due for 1990.

Indicative of Dartford's success in attracting investment is the shortage of industrial premises. Of its six industrial estates, most are already completed and fully let. Crossways 25, which would adjoin the third Thames crossing and is now 40 per cent complete, offers most scope for expansion. The council would like to see 1,500 jobs provided on the business park.

But Crossways 25 is also likely to provide an important backup for users of the ferry terminal, allowing them to base their offices, transhipment and distribution depots close to the port. DIFT, which will take any size of vessel at any state of the tide, became operational last October, with a daily freight service to Zeebrugge. A second operator has already been signed up for a freight service to Scandinavia, while there are plans eventually to create a terminal for passenger traffic.

Dartford is seeking to take full advantage of the trade opportunities created by the port, with the council represented at a number of overseas exhibitions in Sweden, Holland, East and West Germany, and Portugal.

A major element of the £650m of private sector investment now committed to Dartford is tied up in retail and commercial proposals. In April, Burton Property Trust signed an agreement for a £20m redevelopment of Dartford town centre. Blue Circle has plans for 1m sq ft of out of town retail warehousing on a disused chalk quarry. The Blue Water Park development is being supported by Dartford Borough Council, but is likely to be called in by central government.

A.G.

Kent Development Board

An interventionist approach

AMID THE profusion of approaches towards economic development in the English regions, the Kent Economic Development Board stands out as an unusual example of a shire county working to create a strong economic base by means of planning and even intervention.

The Board was set up by the county council in 1984 as a response largely to the decline and restructuring of Kent's traditional industries which were located mostly in the north of the county.

To outsiders, the image of Kent is firmly that of the garden of England. The reality is that around 50,000 jobs have disappeared since 1979 in basic industries like paper and cement, and from the naval dockyard at Chatham. Meanwhile, the importance of the Kent coalfield is dwindling.

Add to that the continuing decline of the traditional "bucket and spade" tourist trade around the coast, and particularly in the Thanet towns where unemployment is sometimes as high as 26 per cent, and the need for a planned and sustained approach can be appreciated.

The task is to create 30,000 jobs over 10 years. That means identifying and fostering an alternative economic base while working to hold on to traditional employment as far as possible.

In industry terms, Kent is seen as "low-tech." The aim is to raise that image so as to attract higher value-added manufacturing, research and development, which will help to form a stable base for long-term employment.

Wisely, the small executive staff of the Board—drawn from the private sector—did not rush to identify the sort of activity that might provide such opportunities. Themes, however, are beginning to emerge: pharmaceuticals, bio-technology, medical supplies. In putting together a package of attractions to potential employers, the Board can call on expertise at the University of Kent which is anxious to develop collaboration with industry.

A landmark in the Board's promotion activities was the decision last summer of Fuji Seal, the Japanese specialist packaging group, to build a new plant in the Gillingham business park as its European base. Initially, 50-60 are employed, which is expected to rise to over 100 shortly.

The link with Japan has been strengthened by an information exchange agreement between the Board and the Sanwa Bank to promote co-operation between the county and Japan through inward investment, joint ventures, licensing agreements and technology transfer.

Business in the US is also being wooed by the Board, and, in full knowledge of the importance of the Channel tunnel, close links have been developed with chambers of commerce on the Continent. Kent has a lot to offer in terms of communications, closeness to London, pleasant surroundings, a trained industrial workforce, and many other advantages in selling itself overseas. But overseas promotion traffic is notoriously overcrowded. Missions from all over Britain are constantly hammering on doors around the world.

The Board, from the start, also recognised that encouraging its existing industry to expand was necessary. Small business and start-ups have just as important a role in the future economy of the county.

Kent Investments is a venture capital fund subsidiary. It offers equity capital in the range £20-100,000, but will not subscribe a controlling equity stake. The preference is for manufacturing ventures; and, to date, its investments include backing a company developing distance learning technology, and a new plastic welding process which uses hot air.

By bringing together the provision of equity finance—albeit on a small scale—advice, help with training, plus overseas promotion, Kent is aiming to operate like a mini regional development agency.

The council, in setting up the board, was careful to involve local industrialists. Non-executive directors include representatives from some of the major industries as well as leading members of the council. Mr Robert Emerson, managing director of the board, is also a council member.

Kent has good communications in many respects. But, as an advisory body to the council, the board lobbies for particular improvements. It also has a major assignment to ensure that the benefits of the Channel tunnel do not work to the advantage of one area of the county while another area—particularly north east Kent—suffers. Working with Eurotunnel, it is also aiming to ensure Kent industry secures a significant share of the procurement needs.

Hazel Duffy

MANAGEMENT

WHILE MANY in Sweden's business fraternity are still reeling from the after-effects of the Fermenta scandal, there are a few who feel they were extremely lucky to extricate themselves from the scandal-riddled antibiotics and chemicals company in good time.

One such name is Erik Danielsson, the managing director of Pharmacia, Sweden's leading pharmaceuticals and biotechnology company.

For while other business names rushed in and out of the Fermenta boardroom line-up with almost as much door-banging as in a Feydeau farce and subsequently faced insider trading investigations as well as the possibility of being used by private investors, Danielsson managed to extricate Pharmacia from Fermenta's clutches at a fairly early stage in the latter's downfall.

The story starts over a year ago when Volvo announced ambitious plans designed to shake up and restructure the Swedish biotechnology and pharmaceuticals sector. Volvo wanted companies like Pharmacia, Sonessons (and its two subsidiaries, Leo and Gambro), under one roof, controlled by Fermenta and ultimately Volvo itself.

The grand design went horribly wrong when it transpired that the mercurial Refaat El-Sayed, the driving force behind Fermenta, had lied about his academic credentials. As confidence in Fermenta evaporated, the deal with Volvo fell apart. It has been a downhill slide for Fermenta ever since.

The same could not be said for Pharmacia, which has gone on to achieve much of its original goal in building up a powerful biotechnology empire. Pharmacia came out of the plan with virtually no mud sticking even though outsiders suggested that Pharmacia had engineered the collapse in negotiations because it felt miffed at having to take a backseat role in Volvo's scheme.

Danielsson denies that charge and says simply that Fermenta and Pharmacia showed "no synergy." He admits that Pharmacia asked El-Sayed for proof of his doctorate ("because our research scientists thought it might be of interest to them"), but will not discuss how the information leaked out, except to say that Uppsala (Pharmacia's home town) is a small gossipy university town where secrets are hard to keep.

Though the Fermenta scandal shook confidence in the Swedish stock market, it does not appear to have damaged the reputation of the whole biotechnology/drugs sector or its two most powerful and international companies, Pharmacia and Astra.

The Fermenta scandal does not appear to have damaged the reputation of the whole sector

Pharmacia: building up a powerful empire

Sara Webb on the Swedish pharmaceuticals and biotechnology group

Ironically, Pharmacia has since set about doing the things which Volvo wanted from a major biotech and drugs force, since Danielsson recognised at an early stage what Pharmacia needed to do: strengthen its research in genetic engineering; make strategic acquisitions in order to stay at the forefront of the biotechnology field; strengthen the ophthalmics division by acquiring a lens manufacturer; and expand in the Japanese and US markets.

His concern was that, without a concerted effort to expand, Pharmacia could be left trailing in the rapidly developing biotechnology field. He believes that by the end of the century the market for genetically engineered pharmaceuticals and diagnostic products will have grown by as much as one hundred times. It was therefore imperative for Pharmacia to strengthen its position through acquisitions.

However, Sweden's small size—in terms of suitable takeover targets and research expertise—meant that Danielsson had to shop around overseas.

With these goals in mind, Pharmacia has over the past year acquired:

- Leo, a rival Swedish pharmaceuticals group, for SKr 3.3bn;
- Intermedics Intraocular, a Californian optical lens company, for US$68m;
- A 20 per cent stake in Electro-Nucleonics, the US biomedical company, and agreed to distribution rights for certain products;
- LKB, the Swedish instruments and chemicals company, for SKr 1.3bn.

It has also set up a genetic engineering research centre in California and a new company in Sweden for research into biosensors, which are used to detect and measure biological substances such as proteins in blood serum.

The strategy has taken its toll on the balance sheet. Pharmacia wrote off intangible assets of SKr 52.m related to its recent acquisitions. Profits (after financial items) rose to SKr 821m on sales of SKr 3.65bn, and the group made what analysts regarded as a rather conservative forecast of profits of SKr 1bn on sales of SKr 6bn for 1987.

Today, Pharmacia consists of four business divisions—biotechnology, opthalmology, diagnostics and health care. Danielsson's strategy has been, as he puts it, to "fill in the missing parts of the jigsaw puzzle."

Leo, LKB and Intermedics Intraocular together were calculated to help Danielsson—dubbed the king of biotechnology—achieve his ambition to dominate certain niches in the US, European and Japanese markets in the next 10 years. Thanks to the acquisition of LKB and a marketing agreement with Electro Nucleonics (ENI), his earlier plan to sell off the less successful diagnostics division has been laid to rest—at least temporarily.

Perhaps the most important move was the acquisition of Intermedics Intraocular, a Californian optical lens company. This will enable Pharmacia to sell lens "packages" for eye cataract operations. Pharmacia's most successful product is Healon, a gel used to maintain eye pressure in cataract surgery. This represents only $60 in a typical $2,000 operation in the US, whereas with Intermedics it will also be able to supply lenses, which account for around $200 to $300 of the operation. In the US, the total number of cataract operations performed has increased dramatically from 70,000 in 1981 to 1.2m in 1986.

Intermedics also already has annual sales of $7.5m in Japan, where Pharmacia is planning the first launch of its Healon and Intraocular lens "packages."

LKB will strengthen Pharmacia's biotechnology and diagnostics activities, particularly the manufacture of equipment for the separation and analysis of biochemicals.

"Both companies were approaching the same goal, but from different directions," says Brian Knox, who specialises in Scandinavian companies at Kleinwort Grieveson.

LKB, which previously had been seen as a competitor to Pharmacia, will continue to market its product range separately.

Pharmacia leads in diagnostics in Europe and Japan, but has no real presence in the US. LKB and Electro-Nucleonics (ENI)—a company which last autumn gave Pharmacia a 20 per cent stake in exchange for distribution rights to Pharmacia allergy and diagnostic lines—can help here. ENI has a strong marketing presence in the US.

Elof Johansson, head of Pharmacia's research and development, believes allergy testing will prove an important growth area in future.

Meanwhile, the attraction of the Leo purchase was that it gave Pharmacia a strong line in anti-cancer drugs, central nervous system drugs, and Nicorette, a prescription chewing gum which is meant to help smokers kick the habit.

The health care market should provide "significant growth" in the future, according to Bertil Tiusanen, the finance director. He sees drugs pumps for patients as a promising area.

In a further development Pharmacia has set up a venture capital company, raising SKr 225m from Swedish companies, specifically to speed up its research into biosensors. Pharmacia had been worried that this project would languish on a back burner, but it now expects to launch its first biosensor products by the early 1990s.

Though Pharmacia has attracted plaudits for much of its strategy there are some observers who are less than full of praise about its Leo acquisition. Leo was part of Sonessons, and after Volvo bought up the rest of Sonessons it started to sell off various pieces. Many feel that Leo—basically a traditional drug company—was "palmed off" on Pharmacia and that Pharmacia merely bowed to pressure from Volvo.

Pharmacia vigorously denies the charge and describes Volvo as a "sleeping partner" rather than an aggressive bully. And while Nicorette is considered an unusual product by Pharmacia's standards, Danielsson insists that it is a "tremendous cash cow. We could sell it for what we paid for Leo."

inside EDGE

The day the mail failed to arrive

Sydney Jackson learned some fundamental lessons when he retired—and switched career. Michael Skapinker reports

IT WAS an apparently trivial incident which persuaded Sydney Jackson that he needed to think more seriously about his retirement: his secretary was late with the morning mail.

During his 35 years at Esso Petroleum, he had always enjoyed receiving letters. Sometimes people had written to congratulate him on a job he had done. Other letters raised a problem that needed solving. He liked the subsequent challenge. On the day that his mail was late he realised how much he would miss all that.

His original retirement plan had been to devote more effort to his church and DIY activities, waiting to see if any part-time offers of work came along. After the incident with the mail, he decided he needed something more demanding. Last month he took on a new role in a world far removed from oil refining, tankers and pipelines: the chairmanship of the East Dorset Health Authority.

Jackson joined Esso straight out of university. During his time with the company he managed a refinery, ran tanker fleets and the Esso pipeline system, and spent two years in New York advising the board of Exxon, Esso's US parent, on marine matters.

Esso managers can stay until the age of 65, but Jackson decided to go at 60. He wanted to spend more time with his wife. He also thought it would be better for his health. "If you look around, you'll see that people live longer if they retire that bit earlier," he says.

Esso's management development co-ordinator had already suggested that Jackson see an outplacement consultant — an agency which helps to find new jobs for redundant and retired managers. Despite some initial reluctance, he eventually came round to the idea.

"I realised that if I wanted to do something proper in my retirement I had to go about it seriously. It's almost like getting your case heard in court. You get a barrister. You don't try to do it your self like an amateur."

After he stopped working at Esso last October, he had an initial interview with outplacement consultants Sanders and Sidney. Jackson was given a long list of questions to answer about himself. "For two weeks I scribbled on pieces of paper. When I actually came to write it up, I started at 8.30 on a Sunday morning and, apart from lunch, I carried on until 6. You are analysing the whole of your 35 year career—and more. It's very important to pull out what your strengths are."

Together with a Sanders and Sidney consultant, he then analysed those strengths. What were they? There is a long pause. "He'll tell me off for this. I should have it on the tip of my tongue." Finally he remembers. "A well-rounded manager with a track record of getting things done."

Sydney Jackson: from oil to health

He and the consultant did have one big disagreement. It was about the word "tough." "He insisted that my career details showed I was tough. I disagreed. So he suggested that two managers who had worked for me in the last three years write down on a piece of paper what they thought my management style was. They both included the word 'tough.'"

Tough he might have been, but life away from Esso was not easy. After years of being a manager, Jackson found himself dependent on the goodwill of others. "You go through a very depressing time," he says. It was those letters again.

"People don't respond to your letters. Well they do, but it takes a long time. When you're in business, you're churning out letters and pushing things along. If a letter takes two or three weeks to get a reply, you don't notice it because of all the other stuff. Here I was really getting peeved. Why don't people write back to me? You feel irrelevant. Somebody said there's nothing more redundant than an ex-politician. Well there's nobody more irrelevant than an ex-manager."

Finally in January, something came up: a non-executive directorship with a small company which arranges boat shows. The three-day a week chairmanship of the health authority came through Esso, which had been asked to suggest names of managers to work in the public sector. Doing both jobs still leaves him time for his other interests.

Jackson spent two months talking to health service employees before taking up the reins. He has not detected any resentment at the man from the oil industry. "So far I haven't had any adverse comments. We're still in the honeymoon period."

All the same, he knows that some health service professionals doubt that industry management skills are transferable to hospitals. But then he's heard all that before.

"When I went from refining to marine, everyone said that the problems were different. I found that the symptoms were different, but the problems were the same. It's about people and getting them to do things. If you have a bunch of metallurgists or computer specialists, they have the same professional pride that surgeons and physicians have and they don't understand the need for management. But once you get a number of people working for you you're into management. I can't perform an operation. But I can motivate people," he says.

French investment banker makes discreet comeback

BY PAUL BETTS IN PARIS

MR GEORGES PEBEREAU, the former head of CGE, the French telecommunications and heavy engineering group, is making a discreet but well noted comeback on the French and international financial scene.

During the last few months he has set up an investment bank, Marceau Investissements, and a separate financial engineering company raising more than FFr 1bn of capital. By the end of this year, with leading French, European, and other international partners, he expects to have raised about FFr 1.5bn in funds.

"My time in the wilderness was shorter than I expected," says Mr Pebereau, who was replaced at the head of the now privatised CGE a year ago by the Government after clinching the landmark telecommunications merger between CGE's Alcatel subsidiary and ITT.

At the time, Mr Pebereau took his surprise replacement sportingly, announcing that he would temporarily step out of the limelight to meditate and look at the sea.

"In fact I went down to the Cote d'Azur, where I met Mr Gustave Leven, the chairman of Perrier, and Mr Jean-Louis Descours, the chairman of the Andre shoe group. And with them I discussed the opportunity of starting up an international investment banking business," says Mr Pebereau.

True to his reputation as a virtuoso of French finance and industry, he set about his task with zeal. By April this year he had raised FFr 600m for Marceau Investissements. His partners included Mr Leven and Mr Descours, who personally contributed FFr 60m each.

Other investors included the Caisse de Depots, the big state financial institution, Axa, the insurance group, and a financial subsidiary of the Total oil group. Each invested FFr 120m in the enterprise. A subsidiary of L'Oreal, the cosmetics and beauty products group, Mr Pierre Moussa's Pallas investment group, and a subsidiary of the Paluel Marmont financial group all put FFr60m into the venture.

Georges Pebereau—set about forming an international investment banking business with zeal.

Mr Pebereau has further extended his range of investors with the Suez financial group and BAT's Eagle Star insurance subsidiary putting up FFr 120m each. Between them the West German Westfalen bank, Julius Baer of Zurich and Mr Edmund Safra have invested FFr 180m.

Mr Pebereau is seeking to further extend the capital base of his new venture, possibly taking in a US partner, a Japanese investor and a group from the Middle East. "We have already raised FFr 1.02bn and I expect we will have raised about FFr 1.5bn by the end of the year," he says.

Among the first major investments made by Mr Pebereau's new financial group is the acquisition of a 0.5 per cent stake in Societe Generale, the French commercial bank currently being privatised. Marceau Investissements has thus become one of the so-called core shareholders in France's third largest commercial bank. The stake will have cost about FFr 120m.

The new group has also invested in a small stake in the Laurent Perrier champagne house and taken a stake in a medium-sized company called Franciaflex, which specialises in manufacturing blinds and which is eventually to be listed on the French second market.

At the same time, Mr Pebereau has been actively engaged in a number of mergers and acquisitions, showing an undisguised gusto at being involved once again in international dealmaking.

He played a part in the recent acquisition by Perrier, the French mineral water group, of BCI Arrowhead, the mineral water division of Beatrice Food. He also helped engineer two recent UK acquisitions in France, including the FFr 37.5m purchase by Avon Rubber of an industrial rubber subsidiary of the Bic group and the FFr 42m purchase by Prestige, a British subsidiary of American Brands, of Le Creuset, the leading French manufacturer of casseroles and saucepans.

Recently there has been regular speculation that Mr Pebereau would land a major new job in the state sector — his name has been mentioned in the past in connection with the presidency of the French electricity board and the state railways among other groups—but the former CGE chairman has made it clear that he is devoting all his energies to his new financial venture.

"We've had a good start and we've got a few more deals already up our sleeves," he says.

Latin America treads a tangled path towards privatisation

BY ROBERT GRAHAM, LATIN AMERICAN EDITOR

WITH LITTLE fanfare, privatisation has crept into the economic and political vocabulary of Latin America. All the larger countries at least pay lip service to the idea. But the aproaches to the concept and its implementation differ enormously.

The state, in various guises plays a dominant role in many Latin American economies, reflecting a *dirigiste* view of economic policy and development. The private sector itself tends to regard the state as a handmaiden of initiative and enterprise.

The essential difference from, say, Thatcherite Britain, is that Latin American privatisation is taking place in the context of what is still, at best, a limited free market economy. Privatisation has been taken on board largely as a consequence of the debt crisis, which since 1983 has obliged governments to be far more conscious of cost cuts and efficiency.

The most notable exception has been the military governmen of Gen Augusto Pinochet in Chile, which has openly embraced the free market views of the Chicago School. The Pinochet Government wants to reduce the state sector's role to the minimum and regards the private sector as the principal motor of future growth.

Broad motives

To date in Latin America one can identify six broad motives behind privatisation:

- Lessen the role of the state
- Improve management.
- Return to the private sector companies the state was forced to acquire, or which were nationalised by previous governments.
- Widen the base of share ownership.
- Raise extra resources for the treasury.
- Generate domestic and international business confidence.

The three most illustrative countries which have embarked upon a programme of privatisation are Argentina, Chile and Mexico. Of these, only Chile could be said to be privatising for a combination of all the above motives.

In the case of Mexico, the de la Madrid Government has been primarily concerned to restore business confidence and remedy the negative consequences of the hasty 1982 bank nationalisations carried out by the previous Lopez Portillo administration.

The Alfonsin Government in Argentina, on the other hand, has initiated privatisation to prune the large corporatist edifice created by the populist policies of Gen Juan Peron in the early 1950s, which the ensuing military govenments padded out further.

In Chile, Gen Pinochet has been concerned to alter the large-scale nationalisations that occurred just before and during the Allende government in the early 1970s. Although the privatisation programme was begun in 1974, it suffered a serious setback as a result of the economic collapse of the early 1980s, when the Government was forced to step into the country's three main holding companies and several of its banks.

The programme has regained momentum only during the last two years. Yet it remains inspired by the same ideological considerations—a desire to move Chile irrevocably away from the socialist philosophy of the Allende era and to break the power of organised labour.

Assets selected

The assets selected for privatisation in these three countries show no overall pattern; rather, they tend to reflect the political reality of what it is possible to hive off in economies with strong vested interests in both the state and private sectors.

Thus in Mexico, President de la Madrid acted slowly in privatising the banks because he could not be seen to be overturning quickly his predecessor's decision. He began in 1984 by selling off the banks' holdings in 339 companies (including financial service companies). He started the process of selling off minority stakes in the banks themselves only this year.

The Mexican Government recently pledged to reduce its holdings to 300 strategic companies by 1988—a quarter of the number inherited at the outset of President de la Madrid's six-year term.

Apart from banks in 19 of which one-third of the government stake has already been sold off—the list for privatisation ranges from soft drinks to tourism (Nacional Hotelera, the leading hotel chain) and parts of the transport sector including Mexicana, the national airline. However, oil, controlled by Pemex, is specifically excluded.

The Argentine government has earmarked Austral, the domestic airline, for privatisation and is pressing ahead with plans to sell off peripheral parts of the huge railways organisation. It also believes in cutting some of the service activities of YPF, the state oil company, as well as selling the petrochemicals side of its business. However, the core elements of oil, transport and the utilities are all likely to remain in state hands.

Gradual sales

Chile has opted for a far broader divestiture. The Government is in the process of gradual sales of shares in utilities (Endesa, electricity generation, and Chilelectra, electricity distribution), telecommunications (Telex and CTC), as well as steel (CAP) and industrial activities like nitrates (Soquimich)—as well as banks.

Significantly, Codelco, the copper mining concern, appears likely to remain in state hands, though with the field left open for domestic and international companies to develop their own mines.

Unlike privatisation in Britain, for example, Latin American governments do not regard the raising of funds for the treasury as a high priority. Many of the companies and financial institutions being sold have been restructured, with the state often still bearing some of the debt.

Only Chile stresses the point that privatisation is a useful source of extra revenue. By the end of this year the Pinochet government hopes to have raised over $500m from the sale of shares in 23 companies over a two-year period.

Initially, the preferred mechanism for privatisation was to invite interested groups of private investors and to offer them all or part of the shares on the basis of tender or a negotiated price. In Chile, 311 of the 350 companies then privatised were transferred back to their original owners in 1974.

In Mexico in 1984, former shareholders in the banks that had been nationalised two years previously were able to purchase shares in the 339 companies offloaded, with indemnity bonds issued in compensation for the takeover.

First Chile and now Mexico have moved on to a more sophisticated stage. Shares in companies being privatised are being floated on the stock exchange, opening up the possibility of wider ownership and of a more market-oriented approach to valuation.

This has not been easy for the respective governments. They need to make the shares attractive yet want to avoid the charge of selling off national assets too cheaply. In Mexico, the country's three leading banks—Bancomer, Banamex and Serfin—this year launched new stock equivalent to 34 per cent of their paid-in capital. The share quickly doubled, and in one instance trebled, their launch price, leading to a political outcry.

The dilemma is a serious one for the governments. The share price needs to be attractive to encourage investors. The Argentine Government is currently having to delay the Austral airlines privatisation because of disagreements about pricing.

By launching privatisation through the stock exchanges, the governments hope to stimulate the growth of local capital markets. Pension funds have begun to play a bigger role and indeed are relied upon to be significant purchasers. In Chile these institutions are managing an annual $1.7bn.

Share ownership

Share ownership has undoubtedly begun to spread, yet the respective claims of governments need to be examined carefully. It is not so much the public at large that is buying shares; rather, employees are being offered company shares on favourable terms or are being encouraged to make retirement arrangements through share purchases. In Mexico, the recent launch of bank shares also produced widespread allegations that packets of shares had been allocated to government supporters.

Latin American governments have been cautious about letting foreign investors in on the privatisation process—both to encourage local entrepreneurs and to retain ownership in national hands.

THE ARTS

Architecture/Colin Amery

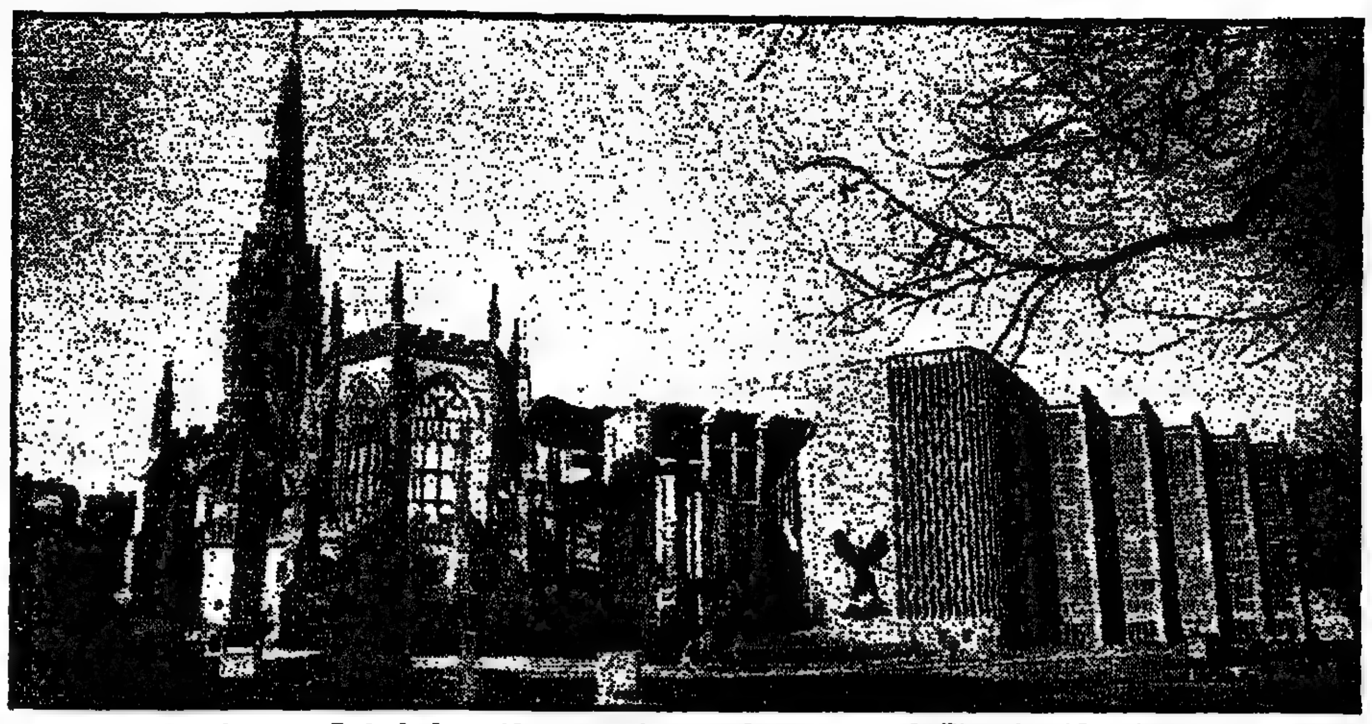
Cathedral from which lessons can be learned

Coventry is much more than *its cathedral. It is a city that* has an infinite capacity for self-renewal. Its resurgence from *the ruins after* the hideous bombing of 1940 has inspired regular subsequent revivals. *From Jaguar* cars to the football team's triumph in winning the FA Cup, there is evidence of energies not yet identified in other cities suffering from overdoses of inner-city gloom.

There is an opportunity to recapture some of the excitement of the rebuilding of the cathedral in an excellent exhibition at the Mead Art Gallery in the University of Warwick's Arts Centre (until July 12). The cathedral today still has come of the architectural power that so excited the nation when it was consecrated in 1962. A visit to the exhibition must be accompanied by a tour of the cathedral itself and a look at the dream city of the 1950s—*how has it all survived?*

The university exhibition is accompanied by a catalogue *compiled and edited by Louise* Campbell (published by the University of Warwick in asso*ciation with A. H. Jolly* (Editorial) Ltd. price £7.50) which is very finely illustrated and makes an important contribution to the reassessment of the art and architecture of the 1950s.

The competition for the new cathedral was held in 1950-51, a period when architects were much fired by the triumphs of the Festival of Britain. Of the 219 entries some 12 were commended by the jury with Basil Spence emerging as a clear winner. Alas, the organisers of the exhibition have been unable to find the material of all 12, but it is fascinating to see the entry of Albert Richardson (architect of Bracken House, the recently sold home of the FT) and the more modern entries of Peter and Alison Smithson and Colin St John Wilson.



Coventry Cathedral provides an architectural heart to the rebuilt city's arid centre.

The Smithson's concrete shell and the Wilson glass box show how easily the cathedral could have been a more radical, and probably obsolescent construction. It is clear why Spence won. He was, after all, a romantic Scot. He, alone among the competitors, saw the emotional power of retaining the ruined outline of the old cathedral. (the competition had only asked entrants to keep the tower and crypts). He placed his new cathedral at right angles to the old, thus ensuring a constant reminder of the past and a powerful place for the new cathedral's forecourt.

Spence's powerful stone building was clearly Gothic in inspiration, much influenced by the cathedral at Albi. The saw tooth arrangement of windows and the strong sandstone walls have an almost Scottish and fortified look. There is more than a hint of Lutyens about the battered blank walls of the (liturgically) East wall. Both Castle Drogo and and the unbuilt Roman Catholic cathedral of Liverpool are sources for Coventry. Spence, of course, worked briefly in Lutyens's office.

The exhibition shows what a fine visualiser and draughtsman Spence was. His own sketches are very convincing, but his large interior perspective must have been very seductive for the cathedral's Reconstruction Committee. What also shines through is Spence's total dedication to the project: he was prepared to go on fund-raising tours; his commitment to the artists that were commissioned for the cathedral was total.

A great deal of the exhibition is about the applied arts of Coventry cathedral and they remain one of the major lessons. What public building today has so nobly followed the arts and crafts tradition and incorporated works of art in such a way? Think of the National Theatre or the new extension to the National Gallery—where are the commissions for artists?

Spence brought together a stable of artists of a very high calibre. All of them responded to his desire for a new cathedral to be comprehensible to contemporary man—although abstraction lurks around the cathedral—it is the figurative elements that are the most memorable. The architect can now be criticised for erecting a new cathedral that was not powerful enough as a piece of architecture.

The thing you always remember from Coventry is the Sutherland tapestry—very much helped by the calm setting given to it by Spence. The trial woven panel of tapestry of the eagle (one of the best things in the exhibition) in fact belonged to Basil Spence, and his commitment to Sutherland was a crucial factor in the completion of the tapestry.

In the same way, it was a brave step to commission the young, recently qualified Royal College students to design the stained glass of the nave windows—a risk that only Spence was able to countenance and psh throgh his committees.

The lessons of Coventry Cathedral are profound. Artists do have a role working with architects, not just as an afterthought, but as a part of the whole conception of any new building. The architect today has taken too much upon himself in aesthetic terms. Spence absorbed the artists in a way that has made them—from Epstein to Piper—the shining ornaments of his recessive cathedral.

The other lesson is the damaging effect of economy. Spence originally wanted stone *throughout the interior* of the cathedral. It would have dignified the architecture in a way *that the rough plaster walls do* not.

As one of the first post-modern architects, Spence saw the point of an architect's humility in the face of his client and artists. Coventry is a genuinely modest building in architectural terms—and that is why it remains today a convincing experience. The rebuilding of the city has little to commend it in the same way. Arrogant planning, inadequate architecture and bureaucratic influences—all inform the dead aridity of the new centre.

To have made the cathedral an oasis in the desert may not have been Sir Basil Spence's intention, but to all the inhabitants of Coventry and all visitors to the city it is a relief beyond imagining that he did.

Gershwin & Ravel/Barbican

David Murray

"The Gershwin Years" was the European one: rather too generous with bright ideas—two big Gershwin standards, Debussy's *L'Aprés-midi* Milhaud's *Création du ...monde*, Ravel's *left*-hand Concerto *and* two extra bonbons—but fun. Again Michael Tilson Thomas conducted the London Symphony, as well as manning the piano in *Rhapsody in Blue* and contributing one of the surplus sweets, his own expansion of a Gershwin fragment that might have become a piece for Lily Pons.

The other bonbon was Debussy's Valse "La plus que lente" (complete with orchestral cimbalom), apt but unnecessary. The Milhaud *Création* sounded pallid in the Barbican, too small and remote either to convey its affecting strain or its cheerful rackettiness. In the *Rhapsody* Tilson Thomas was brittle with the solo part, tolerably faithful to the period style but without the solid impetus needed to evade the feeling of perpetual *stop-go* (nobody would call the piece "well made," and it wants some determined first-aid). The original dance-band scoring was *good to hear.*

The rest was unqualified pleasure. Maybe *An American in Paris* is jerry-built too, but it teems with ideas, and Tilson Thomas clearly revels in the score as much as the *L.S.O. did.* The wind players matched excellent American standards, and there was no feeling of an orchestra preferring to aim at loftier things. They kept their genres distinct: the concert had begun with *L'Apres-midi d'un faune*, done with style and unobstrusive finesse, as keen in its way as their exuberance in Gershwin.

Ravel's Concerto was not only the most authentically Gershwin-related work in the programme, but it got a performance of high distinction. Tilson Thomas was notably faithful to Ravel's tempo-indications, which are regularly traduced by conductors who indulge "effects," and Michel Béroff was a sterling soloist: objective, controlled and (nearly always) accurate, with a fine long view of the music and no imported personality.

Love on the Plastic/Half Moon

Martin Hoyle

The Half Moon Theatre in Mile End Road is transformed into a Mayfair club by Ellen Cairns's designs. The raised foyer/cloakroom, red and gilt with plushly quilted loo doors, descends to the dimly-lit tables where small businessmen are fleeced for the statutory four bottles of champagne by hostesses who then take their new squires on to a hotel.

Julia Schofield's play, based on first-hand research, sounds like a Sarah Daniels with affection and concern. The language is strong but rings absolutely true, as do most of the characters. Criticism of the socio-economic factors of prostitution (seen as a game that will last as long as men earn more than women) is balanced by sympathy for individuals, male and female, caught up in the system; and some of these girls actually *like* men, actually want them. Only when the preaching shows through or when the writing becomes consciously literary does a didactic, documentary note creep in obtrusively.

A traumatic evening that *ends in violence is fascinatingly* charted with the same sort of insider's shop-talk that illuminated a whole sub-culture in Wesker's *The Kitchen.* Chris Bond's direction may lay on the sound effects of memory .even with a heavy hand, but he evokes fine playing from a strong company. Declining into alcoholic fatuousness, Nicholas Day and Michael Elwyn are delicately unexaggerated as minor public school punters. Glen Walford's Madam the schemer eventually outwitted, Belinda Lang's prim northern receptionist who learns to turn a trick or two and George Costigan's believable cockney bouncer are on the periphery of this particular circle of hell.

At its centre are Nicky Croydon's murderously desperate Scots waitress, whoring to keep her son at boarding school; Gabrielle Cowburn's *baby-talking blonde*, screaming with rage when baulked of a punter by an attempted suicide; Nicola Blackman's coarsely cackling black tar, cheerfully obsessed with food; and Eve Bland, the stripper whose hoarse camp makes her post-operation transexuality convincing, funny and touching, as when she addresses an invisible doctor, ebullient with greedy *promiscuity, simultaneously* with a lonely and sensitive homosexual (Richard Cottan) *longing for a sex-change, only* to reach the same bleak conclusion of lovelessness. The play's *final irony shows* middle-class Vicky (Julia Watson) running a very classy establishment in Wapping.

Alastair Muir

Gabrielle Cowburn, Julia Watson and Glen Walford

Aldeburgh Festival

Andrew Clements

The 1980s were always going to be difficult years for the *Aldeburgh Festival. Benjamin* Britten's death in 1976 meant it would take a few seasons to *alter the shape of things;* there were after all tributes to be paid, and a steady flow of unpublished works to maintain a sense of novelty in the programmes. But by 1980 the loss of the *original focus* began to be noticed, and the festival was seen to be tacking a sense of direction and freshness; though still the audiences remained faithful, the concerts they supported seem to have been planned by reflex, as if the organisers really believed *clocks could be stopped* and the Festival left embowelled as it had been a decade earlier.

The year 1983 and 1984 perhaps represented the nadir of Aldeburgh's fortunes; since then it has turned around, and the story now appears to be one of steadily increasing enterprise and ambition. Because it possesses almost every conceivable virtue to make a successful British festival—the finest concert hall in the country, an acute sense of place and tradition—it is good to be able to report that the 1987 festival, which ended yesterday, was in large measure *precisely* what it should be, emanating an energy and excitement which not even this summer's weather could destroy.

Festival planning is now securely in the hands of three executive artistic directors — Steuart Bedford, Oliver Knussen and *Murray Perahia* — who between them manage to cover all the areas that concerts at Aldeburgh traditionally involved—opera and orchestral programmes, contemporary music and chamber music of the highest quality.

There have been innovations —a series of late-night Indian *classical recitals this year;* a competition for young composers and an annual composer *in residence (Lukas Foss this* year); and the closing days showed how well the mix had been *assembled. If festivals* are all about music-making which cannot be offered within the *streamlined confines of winter* concert seasons, then Aldeburgh has undoubtedly regained *its knack of fostering just that.*

It is unthinkable for instance that the programme which Knussen conducted with the Philharmonia Orchestra in the Snape Maltings on Thursday evening would ever have appeared under the same orchestra's auspices on London's South Bank: Brittan's Building of the House Overture, Berg's Altenberg Songs, Knussen's own Third Symphony, new works by Carter and Henze, and Debussy's Symphonic Fragments from The Martyrdom of Saint Sebastian. Rehearsal time had been by no means exces*sive, yet the orchestral playing* was superlative, lucid and vividly coloured.

The Carter European premiere was the latest in the line of tiny occasional pieces which he seems increasingly fond of producing. A Celebration of Some *100×150* notes was written last year for the Houston Symphony, lasts barely three minutes, yet is put together with all the composer's familiar skill and *rigour, to make a compressed* essay in line and layer.

Henze's 1985 Fantango is the *latest in his line of recomposi*tions of baroque models, in this case a Soler piece for harpsichord. *Only* the bass *line* of the original is allowed to remain, and over it Henze has *constructed a wildly fantastic* sequence of inventions around and about the Fandango rhythm, music which sometimes seems riotously overscored, yet manages to convey *a dark and brooding malevo*lence which is hard to forget.

The most cherished aspect of *Aldeburgh in Britten's era* was the steady stream of celebrated instrumentalists and singers who made the journey to Suffolk to play with the composer in chamber music and solo recitals. *Murray Perahia's* two-piano recital with George Solti on Saturday afternoon harked back to those times: the kind of occasion which can only flourish under the most *careful festival conditions.* It was by no means perfect duo playing—some passages, in Brahms' Haydn Variations especially, would have benefited from more rehearsal than two *such busy performers* doubtless could spare—but the feeling of relaxed spontaneity was preserved, even with such a highly-strung interpreter as Solti, whose piano playing is in *many ways a mirror image* of his conducting, severe, tense and always pressing forward.

Bartok's Sonata *for* two *pianos and percussion, however,* is not the usual diet for part-time pianists. Solti turned pages for the composer at the premier in Budapest in 1938, and studied the work with him, and there was no doubt who was in charge of this performance (with the excellent percussionists Evelyn Glennie and David Corkhill). When his own contribution allowed, Solti even conducted his colleagues, touching in the percussion with meticulous accuracy, to ensure that not a nuance was missed.

Later the same day the festive entourage decamped to Bury St Edmonds, for one of its rare excursions to the cathedral there. Some works are simply *too large* for the Maltings, and Beethoven's Ninth Symphony is one of them. Simon Rattle conducted the *Ninth* with the City of Birmingham Symphony Orchestra and chorus for the *first time last year*, an account eulogised by those who heard it and its repetition here, the *first time any Beethoven sym*phony had appeared in an Aldeburgh programme, was *most eagerly sought.*

A cathedral acoustic is by no means the best in which to assess the full stature of Rattle's interpretation. Yet it clearly contains many marvellous things: an electrifying account of the first movement, charged with energy from the opening bars and *shaped* towards a gigantic climax at the beginning of the recapitulation; a lithe, almost *breathless scerzo*, profundly measured Adagia, and a finale set out on the grandest *theatrical scale, tingling with* excitement.

Peter Gabriel/Earls Court

Antony Thorncroft

First the good news. Earls Court has reasserted itself as a top class pop venue. It was fully tested over the weekend by a visit from Peter Gabriel, the great conundrum: is he a genius or is he a sham?

After years of not worrying I've *progressed* to not caring. His performance on Saturday was professional enough to justify his cult status and he delivers in spades. A song like "Lay your hands on me" says it all: ponderous and cliched, it suddenly assumes mythic proportions as Gabriel turns his back on the audience and just falls into its collective arms, to be carried around the stalls like Hamlet in Act Five.

Of course, he eventually reaches the safety of the stage minus jacket, shoe, etc, but it is such a touching act of faith that much of his austere image can be forgiven.

Something of the mime still clings to his tortured expressions, surely an indulgence now in a millionaire as is the statutory song supporting the unemployed, "Don't give up." But even his affections are acquiring an old-fashioned charm as when David Rhodes, the guitarist, leads Gabriel on a skip around the back of the stage, and when the band, dressed in long coats like Rabbis, lines up for some Shadows-like dance syncopation.

Everything mechanical works to perfection; two giant sceens enable the thousands at the back to view the performance, the four gantries which press *down on Gabriel as he writhes* around the stage provide a brooding menace, and the lights sparkle a neon accompaniment to songs which swing from dancing pop numbers, like "Salisbury Hill," to the heavy handed "Sledgehammer."

At the end of a long act his social conscience exhibits itself with West African Youssou N'dour coming out for an encore, and a lithe black dancer whirling across the stage. What actually goes on in Gabriel's mind is a closely guarded secret but as a glam rock performer for the paperback Penguin brigade he can hardly be bettered. More power to his pretentions.

Pyramids opera planned again

The Egyptian Government is planning a \$6m (£3.7m) production of Verdi's *Aida* in front of the Pyramids — only months after the production at the Temple of Luxor organised by businessman Fawzi Mitwali which was said to have lost nearly \$1m.

Placido Domingo has been invited to sing the part of Radames again, and other singers approached are Katia Ricciarelli, Grace Bumbry and Renato Bruson.

The open-air theatre by the Pyramids is said to provide good *sound for son et lumiere* performances for up to 5,500 people, in spite of the problems *experienced during the previous* production.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 26–July 2

Music

LONDON

Miles Davis, Royal Festival Hall (Mon) (928 3191).

Chelsea Opera Group, conductor Nicholas Braithwaite with Richard van Allan as Boris in a concert performance of Boris Godunov, in English. Barbican Hall (Mon). (638 8891).

Camden Choir with the London Bach Orchestra: Julian Williamson conductor with Gillian Asher soprano and John Nobel bass: Franck, Kodaly, Janacek, Fauré. Barbican Hall (Tue).

Herbie Hancock Trio: Royal Festival Hall (Wed).

TOKYO

Mariko Noda, piano: Debussy, Ravel, Chopin. Tokyo Bunka Kaikan Recital Hall (Mon). (828 2111).

Hayko Siemens, organ, Konradin Groth, Trumpet: Bach, Handel, Schumann, Stanley, Pescotti, Molter. Suntory Hall (Mon) (505 1010).

Cambridge Buskers: Vivaldi, Mozart, etc. Yurakucho Asahi Hall, Mullion Building, near Ginza (Tue) (545 8348).

Tokyo Symphony Orchestra and Tokyo Academy Chorus, conducted by Kazuyoshi Akiyama: Mozart's Grand Mass in C minor; Japan's premiere of Andrew Lloyd Webber's Requiem with Sarah Brightman, Eirie Chin, Yuko Nishikawa, Masayuki Kurata, Shogo Miyahara, Makoto Hayashi, The Little Singers of Tokyo. Tokyo Bunka Kaikan (Tue) (363 0101: 273 5481).

Heidi Litschauer, cello, Royko Watanabe, piano: Beethoven, Schubert, Schumann, Brahms. Tokyo Bunka Kaikan (Wed) (403 5871).

NHK Symphony Orchestra, conducted by Jiri Belohlavek: soloists Tamara Sinyavskaya and Shinobu Sato: *Mahler's Symphony No 2 and "Resurrection".* NHK Hall (Wed, Thur) (465 1780).

Osaka Philharmonic Orchestra conducted by Takashi Asahina with Masuko Ushida, violin. 40th anniversary concert: Mozart, Bruckner. Tokyo Bunka Kaikan (Thur) (573 3588: 237 9990).

The Nash Ensemble of London: Mozart, Schubert, Britten. Tokyo Bunka Kaikan Recital Hall (Thur) (061 2590).

NEW YORK

Tanglewood: Elly Ameling soprano recital with Rudolf Jansen piano. All-Schubert programme (Thur). Lenox, Mass (413 637 1666).

WASHINGTON

Mostly Mozart Festival (Concert Hall): Festival Orchestra conducted by Gerard Schwarz. All-Mozart programme (Wed); mixed programme (Thur). Kennedy Center (254 3776).

Wolf Trap: Chuck Mangione Jazz concert (Thur). Vienna, Va. (703 255 1868).

CHICAGO

Ravinia Festival: Schumann Song Cycles with Philip Creech tenor, Christopher Trakas baritone and Hermann Prey baritone with James Levine, piano (Tue); Nadja Salerno-Sonnenberg violinist and James Levine pianist perform all-Mozart programme with chamber group (Thur). Highland Park (728 4642).

Margarita Zimmermann (Tue). (211 211).

NETHERLANDS

Amsterdam, Nieuwe Kerk: Rossini's Messa Solonelle from the orchestra choir of the Teatro Communale of Bologna conducted by *Ricardo* Chailly and Fulvio Angius, soloists Susan Dunn, Chris Merritt and

SPAIN

Granada, 36th Festival: Monday: Orquesta Nacional de España conducted by Jesus Lopez Cobos: Falla, Gerhard, Usandizaga, Prieto and Franck in a special Spanish programme at Palacio de Carlos V. Tuesday: pianist Vlado Perlemuter, a homage to Ravel 'Sonatine', 'Miroirs', 'Gaspard de la Nuit' at Patio de Los Arrayanes. Wednesday, Thursday: Orquesta Sinfonica de RTVE conducted by Miguel Angel Gomez Martinez commemorating George Gershwin and Maurice Ravel's anniversaries on first performances and Del Campo, Falla and Alonso the following day. Both at Palacio de Carlos V.

ITALY

Milan: Teatro alla Scala: Verdi's Requiem with Margaret Price, Dolora Zajic, Luciano Pavarotti and Samuel Ramey (Fri, Mon). (80 91 26).

Rome: French Academy, Piazza della Trinita dei Monti 1, (Villa Medici Festival): the orchestra of Santa Cecilia conducted by Kent Nagano playing Berlioz, Hurel and Maderna, with soloist Janet Baker, (Wed). (67 611).

Saleroom/Antony Thorncroft

London's big week

This is the Big One, the week in which London justifies its status as the auction capital of the world. Tens of millions of pounds will change hands at Sotheby's and Christie's as top quality Impressionist and modern paintings, and Old Master prints, come under the hammer.

The excitement begins this morning when the British Rail Pension Fund offers 98 Old Master prints, one of the best collections to appear for years. The highlight will be an etching by Rembrandt, known as "The Three Crosses," which should fetch £300,000.

Then tonight, at Christie's, one of Van Gogh's most inspired canvases, "Le Pont de Trinquetaille" comes up for sale. It was painted in the week of October 6-13, 1888, at Arles when, in a fever of creativity, he completed at least five large paintings, and it has long been judged one of his master works. *It was sent for sale* by the Kramarsky family, which has owned it for more than 50 years. A price in excess of £8m is anticipated, making it the second most expensive work of art ever sold at auction, exceeded only by Van Gogh's "Sunflowers," which Christie's sold for £24.75m in March.

Other important paintings among the 78 lots *are a fine* "Still life of flowers and fruit" by Henri Fantin-Latour, which *carries a top estimate of* £800,000. It has been in the same English family, which paid £80 for it, for more than a century.

Sotheby's holds its important Impressionist and modern sale tomorrow night. The first great landscape by the Austrian artist, Gustav Klimt, to appear *at auction should make* the top price, in the region of £2.5m. Other paintings likely to exceed £1m, are a "*Fauve*" view of the Thames embankment at Blackfriars Bridge by Derain; a Matisse; and an early Cubist work by Leger. A "Still Life (Oval Theme)" by Ben Nicholson, which belonged to the late Lord Clark.

William Packer writes: Tonight at 10, a major charity auction is to take place at Sotheby's under the patronage of HRH The Duchess of York and the newly expert hammer of Lord Gowrie, of works of modern art given in aid of the Hospice Movement. Funds raised will go not to any single institution but to the further specialised training of doctors and nurses.

Leading British artists such as Frank Auerbach, Anthony Caro, Leon Kossoff, John Hoyland and David Hockney have given works to the sale, and *leading dealers,* including Anthony d'Offay, Thomas Gibson, Lefevre, Waddington, Fischer and Kasmin have been no less generous. Space is limited at the sale which is therefore by invitation only, but advance bids will be taken.

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The test for Syria

WHEN SYRIAN troops moved into West Beirut four months ago they did so to muted applause from Western governments and Western public opinion. For a whole host of reasons, culminating in and symbolised by the Hindawi affair, Syria is not the West's favourite Arab state; and most people would not regard it as blameless in the long and tragic sequence of events that have brought Lebanon to its present sorry condition. Yet at the same time Syria was widely recognised as being better qualified than any other power, internal or external, to restore order at least in Lebanon's Moslem regions.

Restoration of order was, by the beginning of this year, clearly the overriding priority for anyone with a shred of genuine concern for Lebanon's incredibly long-suffering civilian population, or the even longer-suffering inhabitants of the Palestinian refugee camps, or for the plight of the handful of foreigners held hostage, or for the possibility of maintaining any normal contact between Lebanon and the outside world — the prevention of which seemed at times the primary objective of the hostage-takers.

Syria's President Hafez al-Assad can be a ruthless man but he is also a very cautious one. He has always preferred to pursue his ends in Lebanon through the manipulation of Lebanese parties, rather than by the direct deployment of his own forces. Only the defeat of his closest ally, the Shiite militia Amal, in the February round of fighting in West Beirut, convinced him that this time he would have to step in directly.

Plausible argument

Having made that direct investment of prestige and authority, he knew that he could not afford to fail. The Beirut population and outside observers alike were favourably surprised by the swiftness with which the gunmen were driven off the streets and a semblance of normality restored to the city centre. The killing of at least 20 militiamen of the pro-Iranian Hizbollah (Party of God) in a clash on February 24 suggested that Syria meant business and was even prepared to risk her strategic alliance with Iran for the sake of an effective Pax Syriana in Lebanon.

A few days later the Syrian chief of military intelligence, Brigadier General Ghazi Kanaan, ruled out the use of force to free the foreign hostages, arguing plausibly enough that any such attempt would endanger their safety. But pressure on the kidnappers was maintained, and bore its first fruits with the release on March 18 of a Saudi embassy employee who had been held for 66 days. He was produced triumphantly at a joint press conference by General Kanaan and Mr Nabih Berri, the Amal leader, who said: "We take this opportunity to ask every embassy, every journalist, every Christian who left, to come back to west Beirut."

Siege lifted

In April Syria went on to lift the siege of the Palestinian camps, and extended her power southwards by sending troops to police the coastal highway to Sidon. Things seemed to be getting better, and a few foreigners did begin to return. One was Mr Charles Glass, one of the best and most experienced of Western reporters on Lebanon, who came to the conclusion that under the double protection of Syria and of his many influential Lebanese friends he could safely return to the country. Alas, on June 17, Mr Glass was kidnapped by four carloads of armed men—presumed to be pro-Iranian extremists linked to Hizbollah—on that very coastal highway between Sidon and Beirut.

The release last Wednesday of Mr Ali Osseiran, the Shiite notable with whom Mr Glass was traveling, shows that the kidnappers are not beyond the reach of Syrian pressure. It has been suggested that it also shows the limits of Syrian power, or of Syrian willingness to alienate Iran, and that this stops short of obtaining the release of Mr Glass or any other of the foreigners held captive. If that proves to be right, those in the West and in Lebanon who pinned their hopes on Syria will be bitterly disappointed, and the chances of a new and improved relationship between Syria and the West, desirable for so many reasons, will be shattered.

We can only hope that it proves to be wrong.

Reschedulers run out of road

DR HENRY KAUFMAN'S forbidding speech on the international debt problem last week will no doubt annoy the commercial banks. It is very easy, they may say, for an investment banker who has no money at risk to suggest that other people should be planning interest rate concessions and debt forgiveness.

However, it needed an outsider to point out that it is not only the creditors who are at risk in the debt crisis; it is a brake on the growth of the whole world economy. That is one reason why the approaches used until now will not work. Rescheduling was designed to buy time for a world trade recovery; but the debt problem inhibits it.

Market solution

This link is perfectly clear in relation to the US, whose exports have been particularly hard hit by the problems of Latin American debtors. This is not just a bilateral matter, however; any major US problem is a world problem.

This perception is now fairly widely shared, as is becoming clear from speech after speech at the summer conferences which financiers use to prepare for the September round of international meetings. Everybody wants a solution through growth but there is a sad shortage of practicable ideas for achieving it.

Dr Kaufman's proposals are a statement of ends, not means. Somebody has to pay for debt forgiveness; and although the payment might well be regarded as a highly productive investment in growth, it would not look like that to the institution paying the bill.

The elements of a more effective approach may be found in two other speeches. Mr Paul Volker's reminder that the US banks which have made increased provision for sovereign loan defaults have not actually provided any new capital; and the complaint from Mr Angel Gurria of Mexico that the writing down of debt has not reduced the burden on debtors by a single cent.

Mr Gurria's complaint is not strictly accurate, since a few debtors have been able to buy in some of their own heavily discounted debt in the market. What is required is something which would make a market solution far more widely available.

Market solutions require incentives, and these are lacking. The banks have no commercial incentive for concessions; they find market discounts excessive, and have been able to engage in endless recycling at little cost beyond management time. This suggests a number of potential pressure points.

The costless provisions which have aroused Mr Volcker's scorn are at least an advance on the long period in which bank balance-sheets were allowed to contain chapters of pure fiction; but even now most provisioning is unrealistically low and few banks have enough primary capital to cover adequate provision—at any rate under the London rules which Mr Volcker evidently admires.

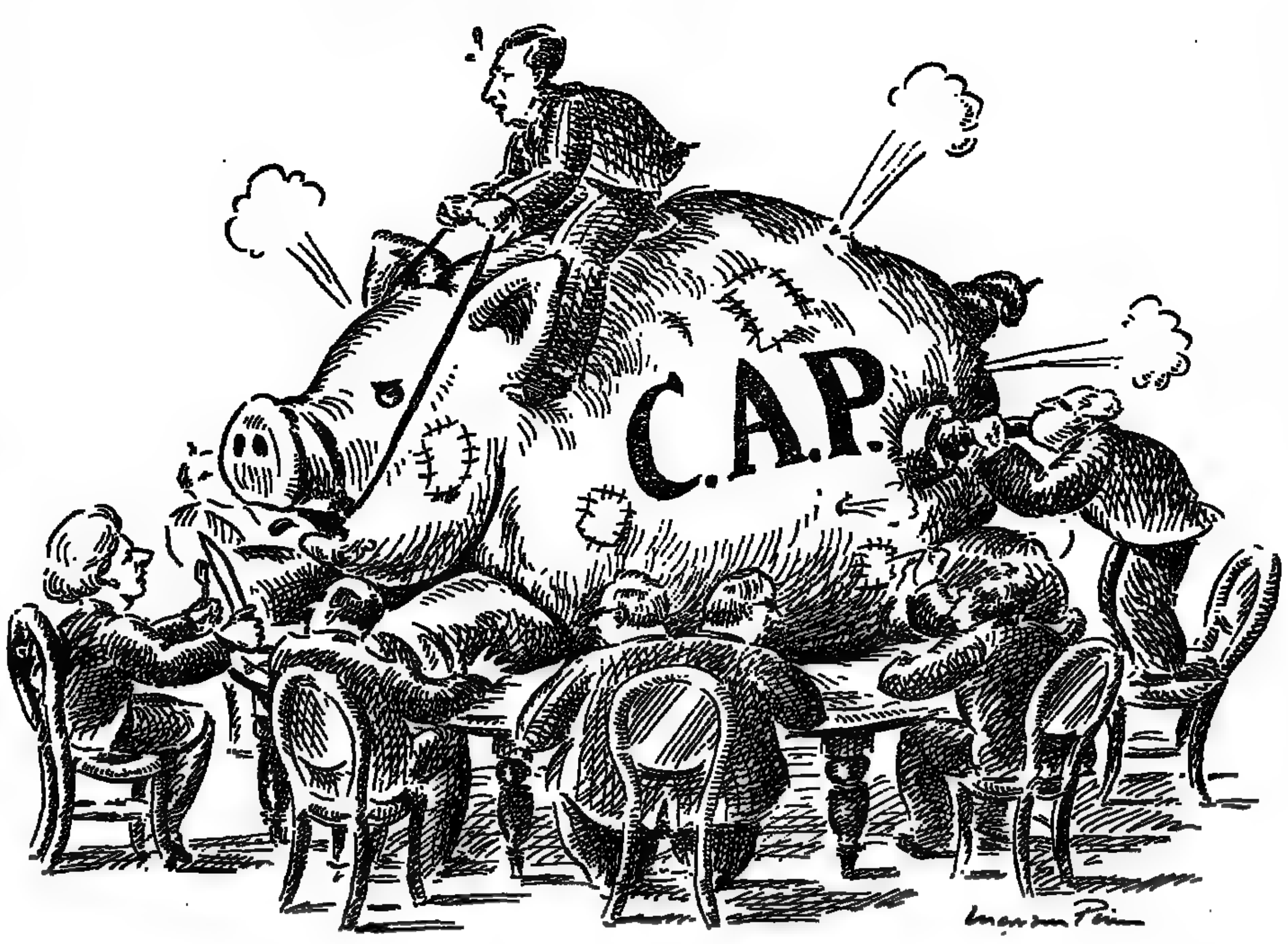
Tolerable discount

It is time, surely, for the central banks to become more insistent. Rescheduling has now bought five years to rebuild capital out of earnings, the capital markets are awash with liquidity, and the excuses for delay have run out. If the prudential rules recognised that loans on concessional terms are likely to be serviced devotedly, and thus require little capital backing, an incentive for concessions would be in place.

It would not be right, however, for the whole burden of adjustment to fall on the lenders. The follies of the 1970s were enthusiastically cheered on by governments and central banks, and some call on taxpayers would represent justice and an enlightened investment. The idea of a facility to buy banks' claims at a tolerable discount, and turn them into concessional official loans, is already doing the summer rounds.

Other formulae combining discipline and some subsidy could readily be devised, but the principle should stand. Debt reconstruction is urgently needed, and the market approach should produce more answers and fewer quarrels than any other.

The future of the European Community



A familiar beast at the summit banquet

By Quentin Peel in Brussels

THERE IS a ghastly familiarity about the agenda for the European Community summit in Brussels today. The heads of state and government must be coming with their hearts in their boots.

First there is the budget. It is "on the brink of bankruptcy," says the European Commission. Others would reckon that it has been effectively bankrupt for at least four years. Then there is the common agricultural policy, still producing chronic surpluses, still hopelessly overspent, and yet the agriculture ministers are deadlocked in sterile negotiations on the latest modest reform package.

A Banquo's ghost is in attendance at the banquet too. The British budget contribution, supposedly resolved by a deal at the Fontainebleau summit in 1984, is an unspoken threat of fearful discord, for the deal must, at some time, be renewed.

Finally, there is a touch of very old spice (first proposed more than a decade ago), dressed up to look like new, which is called an oils and fats tax. Supposedly a way of providing new cash for the budget from a sector threatening the next huge surplus, it has split the Community and caused the US to threaten a trade war.

All this is set to dominate the summit agenda, just when the Community's leaders would far rather discuss East-West relations, their fears for the growing drift of government in Washington, and the downturn in the world economy.

Yet the next two days should be far more than just another haggling session over feeble farm reforms, designed to save a few Ecus from the budget to spend on token programmes in the outlying regions. Behind the cold figures of imminent financial crisis, the heads of government are being asked to set the agenda, and provide a stable and squabble-free form of finance, for the Community of the next decade.

It is also a crucial test for the European Commission headed by Mr Jacques Delors, two-and-a-half years through its four-year mandate and at a point which will decide its reputation. It is Mr Delors's package proposing sweeping reforms to the Community's entire financial system which is on the table.

He is certainly looking for more cash to avoid the perennial budget crises which have dogged the EC for the past decade and more. But his plan seeks to go much further. Its key elements include:

- Reform of the CAP to cut its costs from 70 per cent to 50 per cent of the budget.
- Centralised budget discipline and management, granting the Commission powers to impose spending cuts to maintain a balanced budget.
- Fairer burden-sharing of budget contributions by tying them to gross national product, rather than the present value-added tax-based system.
- Boosting the role of social and regional spending to share out the benefits of EC membership more widely in the new southern member states as well as in the north.

There is no doubt that the immediate budget crisis is building up rapidly, with a yawning hole threatened by next year which can only be filled by ferocious programme cutting, or massive cash injections. If nothing is done to cut back the cost of the CAP and approve other reforms, then the budget will be almost Ecu 10bn (£7bn) more than available income, according to Commission figures.

What is happening in agriculture is worse. The deadlock between diehard West Germany, refusing to countenance any move towards market prices, and most of the rest, is threatening to unravel the entire CAP.

If a farm price package, and a supplementary budget, cannot be agreed by the end of the year, then a hefty slice of farm spending will simply be repatriated to the member states: the Commission will be unable to pay for the last few months of the year, so the individual governments will be forced to provide the cash themselves. Whatever semblance actually exists of a common market in food products could vanish under such pressures.

That is the threat underlying the latest Brussels summit. Nobody expects agreement to be reached, but if anything is to be accomplished in the next 12 months, the meeting must provide real political impetus.

The challenge Mr Delors hopes to persuade the 13 EC leaders to take up is to raise their eyes from present anxieties, and to take a much longer view.

He sees his reform package as the third big step of his Commission. The first was to set 1992 as the target for completion of a genuine single European market, without frontiers and barriers to trade.

The second was the negotiation of the Single European Act, the reform package designed to streamline decision-making, and to add new policy goals to the founding Treaty of Rome: research co-operation, environmental policies, and more emphasis on social and regional spending. It also gives a legal base to political co-operation between member states — and comes into effect, only six months late, on Wednesday.

Now Mr Delors is asking for the financial security to put those policies into effect, and to ensure that the beast of agricultural spending does not swallow all the cash first.

The difficulty is that the EC leaders are neither ready nor inclined to deal with it so soon. There is no emerging consensus on how to reform agriculture, thanks to the West German obstacle. There is no real agreement on policy priorities elsewhere. Mr Delors has called for a doubling in social and regional spending. The richer northern states who will have to pay are virtually unanimous that it must be less.

Even an EC research policy, on which 11 member states are agreed, remains blocked by the refusal of the UK to sanction the Ecu 5.7bn framework programme on the table. There are some hopes that on that, at least, Mrs Thatcher may prove more accommodating since her election victory.

Everybody agrees that the present financial system is in urgent need of overhaul, and few like the present system of contributions based on VAT. But the prospect of switching to a GNP formula, which might make the rich pay more and the poor pay less, raises the spectre of negotiations almost too complex to contemplate.

Such a switch would also require the renegotiation of the British budget rebate: the system of refunding two thirds of the difference between the UK share in VAT-based contributions and the UK share in EC spending, as agreed at Fontainebleau.

The system is profoundly resented by all the other member states and is blamed by many for the extremity of the present budget crisis, but it has proved very effective for Britain. As farm spending has continued to rise, thanks to the soaring cost of storage, and the decline of the dollar requiring ever-larger export subsidies, the British "rebate" has grown in line. And any change requires unanimity among the 12, giving Mrs Thatcher an effective veto on any system which is less beneficial.

The British Prime Minister is adamant on two issues: that no increase in the "own resources" of the Community can be contemplated without guarantees of effective argricultural reform, and future expenditure control; and that the British budget system must be as good, if not better, than the Fontainebleau mechanism.

Chancellor Helmut Kohl of West Germany, appearing for all the world like Dr Doolittle's two-headed llama PushMe-PullYou, wants both the strictest budget discipline, and no price-cutting in agriculture.

Mr Andreas Papandreou, the Greek Prime Minister and enfant terrible of EC summits, has produced a new demand for more cash, on top of the Ecu 1.5bn he already receives in net transfers from Brussels.

"If only he had left it to someone more respectable, like Felipe Gonzalez (the Spanish Prime Minister)," said one leading southern diplomat. There is no doubt, however, that Mr Papandreou represents a phalanx of southern states increasingly determined to gain a larger share of the budget, in exchange for their willingness to accept the removal of all internal trade barriers.

Meanwhile the rest, including President Mitterrand and Mr Jacques Chirac, more concerned with their politics of "co-habitation" in France, stand rather helplessly by.

Some say the problem, is above all, a lack of leadership: "This is a summit of pygmies, in which no one will take the lead," according to one EC diplomat. "Mrs Thatcher is the only one who could do so, but she does not seem interested in the challenge."

Mr Delors believes the problem lies in the absence of the traditional Franco-German alliance in Community affairs and he hurried to Paris and Bonn last week to try to mediate. "The trouble is they no longer understand each other," he says.

More than that, France's interest in finding outlets for its competitive farmers conflict with West Germany's desire to protect its own uncompetitive ones. They are on opposite sides in the farm reform debate.

It is West German incoherence rather than the intransigence of a Thatcher or a Papandreou which is now most widely blamed in Brussels for slow progress. Mr Gerhard Stoltenberg, Minister of Finance in Bonn, made it clear to his fellow finance ministers two weeks ago that he could not contemplate any drastic farm reform before the provincial elections in his home state of Schleswig-Holstein in September, where the farmers' vote is crucial.

The danger for the summit is that all the short-term problems will sour the atmosphere and preclude the strategic thinking Mr Delors is looking for. The failure to fix farm prices, the size of the immediate budget deficit, compounded by a threat to cut spending from next month, and the fear of instant US fury if an oils and fats tax is approved, may all conspire to keep attention off long-term reform.

Both the Commission, and the toiling national ambassadors in Brussels, know that they must persuade the summit to produce clear guidelines if they are to make real progress this year. The ideal is to aim for agreement on a total financial package by the Copenhagen summit in December.

But Chancellor Kohl may block any hint of cutting farm prices in CAP reform. Mrs Thatcher may insist on tying any promise of future cash to conditions of budget discipline too strict for the south to stomach. The southerners, in turn, may demand commitments to new policies too generous for the north to contemplate.

It all adds up to a scenario for deadlock which will challenge even the formidable negotiating skills of Mr Wilfried Martens, the Belgian Prime Minister, who will be in the chair.

Men and Matters

New York, June 28

Sleeping partners

When David Herrlinger, the Cincinatti investment manager, who is now resting in the psychiatric ward of the Good Samaritan Hospital, announced last Tuesday that he was bidding $7bn for Dayton Hudson, he named his partners as the Stones and Eustises—two of the city's most "prominent", "wealthy" and "well-heeled" families, according to the news reports following the bid announcement.

With that kind of backing it is hardly surprising that Wall Street was taken in by the unknown Herrlinger's eccentric bid. After all, families like the Pritzkers of Chicago and the Reichmans of Toronto gobble up billion dollar enterprises before their Sunday brunches. So why not the Eustises and the Stones?

One reason seems to have eluded Wall Street entirely. The Stones and Eustises are actually not particularly wealthy, prominent or well-heeled. In fact they are little better known, even in Cincinatti, than Herrlinger himself. The Cincinatti Inquirer, in its attempts to follow up the story, is still uncertain about who precisely these people are.

The name Eustis, according to Mark Braykovich, the Inquirer reporter covering the story, was "fairly familiar because of an investment firm called G. Eustis and Co." This small firm closed down some years ago. As for the Stones, "we're still not sure who they're supposed to be," said Braykovich on Friday.

A search through the paper's cuttings library came up with a James Stone who once ran a small oil company, but it is not clear whether this was the Stone family Herrlinger meant. The phantom bidder was unhelpful, even before his hospital commitment. When Braykovich asked him about the Stones behind his bid, Herrlinger replied disarmingly: "Actually, all of them are dead now."

"No, not the brain drain—I said I'm part of the rain drain."

Warner's feud

Last Wednesday's annual general meeting of Warner Communications, the entertainment group, was a sellout. Over 1,500 people crammed into the Imperial Ballroom of New York's Sheraton Centre for a ringside seat at what has been described as "one of the most famous feuds in corporate history."

For weeks Wall Street has been rife with rumours of a showdown between Steven Ross, Warner's free-wheeling chief executive, and Herb Siegel, the group's biggest shareholder. Siegel, a cost-conscious businessman, came on the scene three years ago after his Chris-Craft Industries helped Ross to fight off an unwelcome takeover bid from Rupert Murdoch at a time when Warner was just recovering from losing $1bn on an ill-fated venture into video games.

But the honeymoon between the two men did not last for long. Siegel is unhappy about Ross's big spending and has been rude about Ross's new employment contract which would be worth $140m-plus over the next decade. Meanwhile, Ross, who started in the funeral parlour business before branching out into the entertainment world, says Spiegel's penny-pinching is not conducive to running a company like Warner which lavishes money on superstars.

But the fireworks never went off. Siegel was surprisingly quiet, even though one of his nominees for the Warner board was defeated. One of the few lively moments came when a white-suited Steven Spielberg told shareholders that as long as Ross "remains the skipper of this battle wagon, I will make films here." Clint Eastwood, who is pretty busy these days as mayor of a small California town, sent his apologies for missing the meeting, but Spielberg read out a letter assuring shareholders that Ross could count on Clint's support if it came to a fight.

The only consolation for Warner shareholders was that as they left the meeting they picked up their traditional gifts, which this year included a video of The Music Man, three record cassettes, a copy of Sir Alec Guinness's memoirs, a sweatshirt, and a nifty bag which was probably worth about $50 or nearly 50 per cent more than the cost of a Warner share. For most small shareholders this was the attraction of the meeting, not the feud.

Haunting refrain

A phantom haunts Broadway. Andrew Lloyd Webber's latest musical, The Phantom of the Opera, is due to open in New York on November 12, but not a single ticket has been sold. None will be unless the producers resolve a dispute with the American actors' union over who is to sing the leading female role, the chorus girl, Christine.

Lloyd Webber says he wrote the part for his wife, Sarah Brightman, and she must sing Christine. American Actors' Equity says that under a 1982 agreement with its British counterpart, an American actress should sing the part on Broadway or the UK producers must guarantee such a star role for an American actress in London. "We have real employment problems here as well," the American union says.

The UK producers have promised the exchange, but that's not the point. The union agreement specifically excludes "stars of international standing." Michael Crawford, for example, has grudgingly been allowed to sing the Phantom's role on Broadway. Lloyd Webber is insisting that Ms Brightman be given the same recognition and threatens to bypass Broadway for Hollywood, where Steven Spielberg has offered to turn Ms Brightman into a star of intergalactic standing.

"My personal feeling is that Andrew will not back down," says one person at the production company. Actors' Equity mutters, rather implausibly, about the "tremendous financial loss" Lloyd Webber faces if the show does not open.

But the union's council is meeting again tomorrow to consider Ms Brightman. The Shubert Organisation, which is spending hundreds of thousands of dollars to prepare the old Majestic Theatre for the show's fabulous dramatic effects, is putting pressure on everyone.

Observer

IF THERE was ever any doubt that the British had arrived in force on Madison Avenue, capital of the world's advertising industry, Mr Martin Sorrell's successful battle for control of J. Walter Thompson (JWT), the world's most venerable advertising agency, should lay it to rest.

WPP and J. Walter Thompson

British bulldogs on Madison Avenue

By William Hall in New York

The 123-year-old JWT, which for almost 50 years was the world's biggest advertising agency, is far and away the larest acquisition in advertising history. With the WPP Group agreeing to pay $566m (£352m) for JWT, the deal has turned upside-down the pecking order of the $170bn a year advertising industry. Three of the top five US agencies will soon be in British hands, highlighting the dramatic rise to power of ambitious young UK companies in what most people still see as a *quintessentially* American industry.

With more than 10,000 staff and more than 250 offices in 40 countries, JWT — which includes a public relations and market research business — has often been described as "one of the most valuable marketing service franchises in the world." Unilever has been a client since 1902; others on the *list* include IBM and Ford.

It has created some of the most memorable advertising campaigns in American history. Despite recent financial troubles and management upheavals, it was this month voted the best agency in an Advertising Age poll of advertisers.

Recurrent financial and management crises at JWT, combined with the threatened defection of Burger King, a key client, had badly damaged JWT's credibility on Wall *Street and made it vulnerable* to a hostile takeover bid. Nevertheless, the speed at which it has been gobbled up by a company *one twentieth its size has* stunned Madison Avenue.

The privately-owned Young & Rubicam remains number one in terms of 1986 worldwide gross income. But the next three advertising agencies—Saatchi & Saatchi, Ted Bates and JWT—are, or soon will be, British-owned. In addition, Ogilvy and Mather, the fifth largest agency, was founded by British-born Mr David Ogilvy.

"If this thing goes well, Martin Sorrell will have established *a really long term mark* in US advertising," says Mr Eugene Beard, chief financial officer of another leading US agency, Interpublic, which employs more than 12,000 people in more than 50 countries. Unlike some in the US advertising industry, who have been critical of the highly leveraged nature of the JWT bid and the high price being paid, Mr Beard says Mr Sorrell has "done his homework very thoroughly."

However, he cautions that "doing a deal is one thing, *managing it is another.*" He sees the JWT takeover as a test case which will determine whether the British will be able to consolidate their beachhead in the US advertising industry or be forced to withdraw with heavy losses.

The invasion started in 1982 with Saatchi and Saatchi's $60m acquisition of Compton, a company roughly three times as big *as itself. Mr Sorrell, as Saatchi's* finance director, helped engineer that early US acquisition spree — before branching out on his own. He notes that the new UK owners were able to double Compton's margins in less than three years.

The Saatchi brothers continued to expand their US empire by adding on market research, public relations and sales promotion companies. Then, last year, they launched another US takeover blitz, acquiring in quick succession Dancer Fitzgerald Sample, Backer and Spielvogel, and Ted Bates.

Today, Saatchi's market capitalisation of around $1.6bn is almost as big as that of the three leading publicly quoted *US firms — Interpublic Omni*con and the Ogilvy group—combined.

Although Saatchi's dramatic and sometimes troubled US expansion has captured the headlines, there has been a steady *stream* of UK imitators (see table), WCRS, Boase Massini Pollit and Lowe, Howard Spink and Bell, have been among the predators.

However, these acquisitions pale by comparison with Mr Sorrell's of JWT, the fourth largest advertising agency. With a handful of other US companies, JWT has dominated the international advertising business for decades. It opened its first foreign office in London in 1899 *and has long been* the most international of the US agencies. More than half its staff and two thirds of its offices are located outside the US.

WPP's takeover of JWT thus underlines the dramatic shift *in the balance of power in the* world's advertising industry. For decades Britain seemed to be colonised by a stream of US agencies *following* their multinational clients overseas.

Mr Sorrell is anxious to play down the symbolic impact of his takeover of a company many times bigger and better known than his own WPP, which is capitalised at a relatively lowly $200m. He disputes any suggestion that his audacious transatlantic coup reflects a swing of creative advertising power *away from New York* and towards London. He has an easy explanation for the surge in UK interest in the US *marketing services industry.*

"The domestic US market accounts for about 50 per cent of worldwide advertising, and *probably accounts for an even* larger proportion of total world advertising expenditures because of the influence of US *multinationals controlled out of* cities like New York, Chicago, Detroit and San Francisco," he says.

"If you want to be a serious player in the business you have to have a major position in America. The market is 10 to 12 times bigger than the UK."

Since he took control in 1985, WPP has undergone a rapid transformation from an obscure supermarket trolley manufacturer into a UK marketing services company specialising in "below-the-line" promotional services. Through a series of acquisitions—11 in the UK and four in the US since

Martin Sorrell

The British Invasion

UK group	Company bought	Category	Date
Boase Massimi Pollitt	Ammirati & Puris, New York	Advertising	May 1987
WCRS Group	Della Femina Travisano & Partners	Advertising	August 1986
	HBM Creamer	Advertising	June 1986
	Maslov, Gold & Rothschild	Design and marketing	December 1986
	Robert A. Becker Inc.	*Medical ad agency*	*May 1987*
WPP Group	Pace *Communications*	Real estate *communications*	*October 1986*
	Harvard Capital Group	Financial communications	December 1986
	Sidjakov, Berman, Gomez & Partners, San Francisco	Packaging and design	March 1987
	Walker Group ICNT NYC and Los Angeles	Retail design	March 1987
Saatchi & Saatchi Co.	Dancer Fitzgerald Sample	Advertising	February 1986
	Becker & Spielvogel	Advertising	April 1986
	Ted Bates Worldwide	Advertising	May 1986
Lowe Howard Spink & Bell	30% of Lowe Marschalk	Advertising	November 1985
Shandwick	*Henry J. Kaufman & Associates*	*Public relations*	*December 1986*
	Rand Public Relations Inc.	Public relations	December 1986
	Rogers & Cowan Inc.	Public relations	April 1987

Source: Advertising Age

February 1986—WPP has built it up its interests in graphics and design, sales promotion and other marketing services. The takeover of JWT, which specialises in "above-the-line" media advertising, achieves Mr Sorrell's objective of creating one of the world's biggest multi-national marketing service companies.

Several other factors have been cited for the aggressive UK expansion on Madison Avenue. A weak dollar and the sometimes dazzling ratings accorded to UK media groups on the London stock market have made US acquisitions look cheap to British eyes. Differing accounting rules in areas such as the *treatment of goodwill* have also given UK firms an advantage over US rivals when bidding for US agencies. An*other point* in some British firms' favour has been that emphasis upon strict financial controls of a kind not prevalent *in many parts of the industry.*

Some have argued that both Saatchi and Sorrell are paying over the odds for their acquisitions, but Sorrell *insists* analysts should ignore the debate about the treatment of goodwill and the obvious strains on the balance sheet, and instead concentrate their attention on the *combined group's cash flow.* While he was not privy to the levels of debt proposed by the rival bidder for JWT, he is comfortable with his own debt load, even though he was forced to increase his offer twice from the original $45 per share to an eventual $55.50. This will give WPP a negative net worth *of $90m, to support $161m of* debt.

There are no plans, he says, to sell off important parts of the group, such as the Hill and Knowlton public relations firm, to reduce the debt burden. Mr Sorrell draws support for his ambitious bid by quoting one of his heroes, Mr Warren Buffett, the canny US investors. "*He was the first man to note* that advertising agencies are extremely interesting from an investment point of view *because they are, in essence,* royalties on the growth of major multinational companies."

WPP has the financing in place for its bid and has enough flexbility in its medium-term loan arrangements to guard against adverse swings in *interest rates and currencies.* Mr Sorrell is confident that he can use his own brand of financial discipline to improve *JWT's pre-tax profit margins* from their below-average level of 4 per cent to the industry average of 10 per cent over the next three years. UK brokers have estimated that if JWT's margins can be increased by this amount, WPP's earnings *per share should rise* by more than a third.

However, putting JWT's financial affairs in order may be the easiest part of the takeover. Despite his outward confidence, Mr Sorrell could face problems in two other key areas. Goodyear, the US tyre giant which last year narrowly avoided being taken over by Sir James Goldsmith, the Anglo-French financier, has already threatened to take its advertising elsewhere if JWT were taken over by a British firm. Several other leading JWT clients, such as Ford and Burger King, are also reviewing their relationship. Ford alone accounts for one tenth of JWT's advertising business.

Finally, there is the question *of who will run JWT once the* dust has settled. Mr Sorrel's plan to reinstate Mr Jack Peters, who was sacked as *JWT's president after an abor*tive attempt earlier this year to unseat Mr Don Johnston, JWT's chief executive, has been *jettisoned as part of the merger* agreement. But most outside observers still see a need for changes in JWT's senior management team to preserve and develop its client base and improve financial performance.

Lombard

US anti-trust at the crossroads

By A. H. Hermann

VIEWED FROM this side of the Atlantic US competition policy appears sometimes deceptively simple and monolithic. Novel ideas, forcefully expressed by an assistant attorney general, in a judgment, or in a new book, tend to obliterate the mulitude of conventional opinions and decisions which dominate the scene.

This may be why the "business friendly" Chicago School's *interpretation of anti-trust laws,* adopted by the Reagan Administration, looms so large in the minds of many European *observers. The Faculty of Laws* of University College, London, deserves some gratitude for shattering this over-simplified *picture by inviting Prof Eleanor* Fox of New York University to talk to a group of competition experts about the theory and *practice of competition enforce*ment in the US and the European Community. She quickly made it clear that there is a virulent academic backlash in the US against the Chicago attempt to replace law by an investigation of the economic efficiency *of mergers and restric*tive practices.

When asked to explain the essence of the Chicago argument, a *New York experience* comes to mind. Daring to contradict my highly successful host I was reproved by one of the circle listening to our discussion: "Look at his bank balance," he said, "and you will see that he must be right." In much the same spirit, the Chicago School's economic analysis abroad leads to the conclusions that the successful corporation knows best. As long as the merger, the acquisition or the restrictive practice can increase profits without raising consumer prices, it improves, so it is said, the allocation of resources for the greater happiness of all or of most. And if there is no profit in the venture, business will give it up without any need for state intervention.

This way of thinking greatly influences the policy of the Department of Justice and of the Federal Trade Commission. Their anti-trust enforcement has been put on the slow burner. However, the majority *of anti-trust enforcement in the* US takes the form of private actions and there the decisions of courts show, understandably, a much slower acceptance of radical innovations. True, in recent years US courts have tended to give greater weight to the argument that anti-trust enforcement may lessen the inventiveness of dominant companies than to the argument that it may enhance the inventiveness of their smaller rivals. However, on the whole, the courts are slow in accepting the *Chicago School's belief in the* self-sufficiency of market forces. This was made amply evident by the recent approval by the *Supreme Court of the Indiana* law for the protection of shareholders against takeover bids.

The widely expected appoint*ment of the Washington judge* Robert Bork, a Chicago School believer, to replace Justice *Lewis Powell who resigned last week,* may tilt the balance of the Supreme Court, now often split on *important* issues of business law.

The opposition to the Chicago School's point of view stresses that anti-trust laws are not concerned exclusively with economic efficiency. Indeed the main concern of the legislators was to preserve the opportunity for small businesses to compete with large corporations. The anti-trust laws were designed with a wider aim of protecting freedom and the weaker members of society by preventing a dangerous accumulation of power in the hands of a few.

These arguments are also pertinent to the problems of the UK. Improvements in the standard of life for those in *distressed or under-developed* regions and for ethnic minorities, and the rescue of inner cities by new enterprise cannot be achieved without some support of the weak against the strong and well established.

The belief that market forces will ultimately put everything right and that those who cannot hold their own against the stronger should be left to their fate may, in the end, prove to be too costly in terms of social harmony and happiness. The attempt to use economic efficiency as a yardstick of what is right or wrong is bound to fail. Economics deal only with one *of the many concerns of law.* Man does not live by bread alone.

Letters to the Editor

Judgment on tin

From Mr B. Leeming

Sir,—Mr Justice Staughton has ruled that the 23 defaulting governments, including that of the UK, all members of the International Tin Council, are not liable for the ITC's obligations.

Not content with this amazing piece of legalistic logic he makes the gratuitous comment that "Banks and traders no doubt profited handsomely in the past from the presence of the ITC headquarters in London, but the losses now suffered are formidable."

Apart from the total lack of *a sense of proportion* apparent in this shocking remark, has nobody informed His Lordship about the enormous price benefits enjoyed *for years by ITC* producer members through the council's use of the London market structure? These massive additions to several nations' exchequers utterly dwarf the routinely modest rewards of banks, brokers and traders who *co-operated with* the ITC *in* good faith.

No doubt Mr Justice Staughton has done the best he could, drawing on near precedents in an unprecedented case. We must hope that the law in the International Court of Justice will not turn out to be such an ass.

Bruce Leeming.
Solars,
Chiddingfold, Surrey.

Views of the City

From Councillor Ann Pembroke

Sir,—While amused—and flattered—by the distinction offered me in the role of cinebuff, the serious issues debated by the planning and communications committee of the Corporation of London relating to the building designed by James Stirling for the City of London's prime site, were ignored by Observer (June 24).

Planning permission for the building was refused on several grounds, primarily, in the committee's view, for not *complying* with the Secretary of State's earlier counsel. It was considered the plan was not a worthy successor to the present site, which contains eight "listed" buildings. The proposed building far exceeds in height and size the present block, which forms part of a conservation area. The ancient and historic thoroughfare of Bucklersbury, first a tributary of the Walbrook, flowing to the Thames, today a cloistered lane, would disappear in the bulk of the proposed building. The views from Cornhill of St Paul's *and St Mary-le-Bow would be* obstructed. There would be a loss of street level shops.

It is admitted that this site is unsuitable for dealer floors. The present buildings have charm, and proportions to complement stately neighbours, the Mansion House and the Bank of England.

(Councillor)
Ann M. F. Pembroke,
Deputy Ward of Cheap.
Members' Room,
Guildhall, EC2.

Number 1 Poultry

From the Rector,
St Mary-le-Bow

Sir,—I am sure that your learned and delightful architectural correspondent, Colin Amery, who was present as I was at the opening of the newly restored V & A garden will agree that Sir Roy Strong has shown us how Victorian architecture can have a new lease of life. The restored terracotta facade of the V & A quadrangle, offset by incense pines, raised lawns, paving and water restores an Italianate villa to the people of London.

Is it not, therefore, the case that Belcher's vigorous Victorian buildings at No 1 Poultry could be given the care and attention which will renew their ability to please the eye and serve the needs of the City? The rejection of Mr Palumbo's scheme for No 1 Poultry by the City planning department gives this benefactor of the arts an opportunity to be characteristically generous and to hear those of us who say James Stirling is a great architect but is his proposal the right one in the right place?

(Reverend) Victor Stock,
Cheapside, EC2.

Manufacturing productivity

From Mr P. Spencer

Sir,—Simon Ward (June 24) fails to appreciate the nature of the calculations Giles Keating and I have made (June 15). These estimate the underlying *trend in labour productivity,* abstracting from short-run effects. (We estimate this trend to be 4 per cent a year.) As such, they are based on an estimate of the underlying trend increase in the cost of *labour relative to capital.*

Temporary movements in the relative cost of labour away from this trend will cause variations in the growth of capital per head and hence productivity. For example, the reform of Corporation Tax in the 1984 Budget increased the cost of capital. As expected, this has caused a temporary dip in the level of investment. Our trend calculations are designed to avoid this sort of effect, which have served to confuse the debate.

The immediate outlook for productivity growth is excellent. We expect actual productivity to grow by more than 4 *per cent in manufacturing this* year due to a cyclical increase in utilisation rates. Manufacturing output will rise by at *least 5 per cent, well up on* the 2.2 per cent suggested by Mr Ward.

Peter Spencer.
Credit Suisse First Boston,
22 Bishopsgate, EC2

Changes to TV

From the Managing Director,
Cable London

Sir,—We are concerned that the proposed changes to television (June 24) will not be radical enough.

The current ITV monopoly with its well-documented excessive profits and associated high labour costs is built on the false premise that the airways are a scarce resource.

The continuance of the monopoly is "justified" by the need for high-quality programmes. It is our proposition that with two advertising-free BBC channels and an independent Channel 4, it is essential that ITV be transformed.

The regions should be smaller, and a second network should simultaneously be created. The above changes will be in the interests of advertisers and viewers alike. The increased airtime will allow a diversity of control and access to independent producers as well as acting as a break on spiralling TV advertising costs.

More interestingly, from our perspective, a redistribution in the balance of opportunities to enter the television industry will lead to an acceleration of development of the cable industry with related opportunities for programming choice, including pay per view.

Stephen Kirk.
13, Hawley Crescent, NW1.

Finding an alternative

From Mr P. O'Shea.

Sir,—In "Time yet to find an alternative" (June 24) Peter Pulzer writes "The SDP made one-person-one-vote the cornerstone of its constitution. It is that . . . that distinguishes the style of the Alliance politics from that of Labour."

Back in 1981 when the SDP was being formed, the draft constitution in outline claimed that one-person-one-vote would be a *fundamental principle of* its constitution but in the final document this principle was negated by a number of provisos. Roy Jenkins was the first Leader of the SDP and he was elected to that post on a one-person-one-vote ballot but he "resigned" after the 1983 general election and David Owen succeeded him without being similarly elected. Another claim made in the draft constitution was that "it seeks to ensure that those who lead the Party will not dictate to the Party. . . ." Seven years on the SDP is still very much the property of the Gang of Four. Surely a truly democratic system would have brought about some changes in that time.

The leader of the Liberal Party was elected in 1976 and there has not been another election for that post since. Is this democracy in action?

Many were attracted to the SDP in the beginning hoping that here at last was a Party offering one-person-one-vote to its members and seeking constitutional reform for the nation. They were expecting too much. Leaders and caucuses and activists know too well that they cannot manipulate or predict a one-person-one-vote. Regretfully, the distinction that Peter Pulzer writes of does not exist in practice.

P. J. Pace O'Shea,
13 Westchester Drive, NW4.

Forcing land into use

From Mr V. Blundell

Sir,—Mr A. Hollway (June 25) does well to attribute lack of imagination to the government in its approach to the problems *of the inner cities,* but while condemning subsidies and hand-outs, he offers no real alternative. All subsidies and grants, *whatever form they* take, are ultimately capitalised in the rent or price of land. The enterprise zones have confirmed this.

Land is the passive factor in production, and labour and capital cannot operate without its "consent." What is needed is a spur to land use. Owners of idle land in the inner cities complain that they cannot rent or sell their land, but as my local estate agent assured me, you can sell or let any property —at a price. *A hefty tax on the* value of land would be the ideal spur to make the land earn its keep, by forcing it into use.

The prospect of government hand-outs will only induce land*owners* (including the local authorities) to hold on to their land.

V. H. Blundell.
14 Tensing Gardens,
Billericay, Essex.

FINANCIAL TIMES

Monday June 29 1987

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Roderick Oram on Wall Street

Seoul gas clouds the outlook

NEWS of Seoul police tear gassing demonstrators has unnerved some foreign investors and given a nasty knock to New York and London share prices of the two leading investment funds geared to foreigners.

Fund managers and analysts argue, however, the downturn is an opportunity to buy into South Korea's spectacular economic success. They find it hard to imagine a political scenario, at least in the medium term, which could derail its fast track growth.

"I think some foreign investors forgot the economic fundamentals which are stronger than ever," said Mr Jinho Chung, a Prudential Bache analyst who returned last week to New York from a two-week trip to South Korea.

Although trading in the Korea Fund in New York and Korea Europe Fund in London, has been heavier than usual, the majority of shareholders "are sophisticated enough to know what goes on politically does not have much effect on the economy," said Mr Peter Irving, managing director of Korea Schroder Fund Management in London which runs the Korea Europe fund.

With direct access to South Korea's stock market reserved for domestic investors, the two closed-end funds are virtually the only way foreigners can participate in stocks like Daewoo. Twenty years ago it was small in mini skirts. Today it is big in microchips and a wide range of other high-tech goods.

Shares in Korea Fund, run by New York investment managers Scudder, Stevens & Clark, increased sixfold from their $12 launch in August, 1984, to a high of $72½ last spring.

The subsequent slippage accelerated as the intensity of demonstrations escalated in Seoul. The price has fallen 9 per cent since the beginning of June as daily trading volume rose from an average of 28,000 in May to a peak of 246,000 last Monday. Volume and price stabilised later last week.

The Korea Europe Fund, which raised $30m on its launch in April, has suffered a sharper fall from around $25-a-share to near $20 with a drop of nearly $2 last Friday alone.

The volatility might reflect its thin trading since most shares have ended up in the hands of long term investors. Although the issue had been widely placed around Europe, Japanese institutions in particular rounded up a lot of them in the first week of trading, Mr Irving said.

No doubt the Japanese see parallels between South Korea's nascent industry and their own 20 years or so ago. Just like Tokyo's stocks in the 1960s, Seoul's are trading today at average price of about eight times estimated current year earnings.

Despite the funds' fall, their shares still command a near 100 per cent premium over the value of their Korean stocks, reflecting investors hopes for the companies' fast growth. The Korea Fund's net asset value has remained almost constant around $31.50 a share, about $200m in total, through the crisis.

Korea Europe's net asset value is around the $10 a share seen at its inception.

Mr Chung says that "Korea's stock market historically has responded very objectively to political factors. Even unsettling events in the past were taken rather surprisingly in stride."

In contrast, the Government's attempt this spring to slow the stock market's fast rise by institutional investment curbs lopped more than 12 per cent off the composite index. But the market has begun to show political sensitivity. Although prices are little changed overall, they have bounced around with each development making the stock index something of a "sincerity index". If investors feel a government action is an earnest effort toward democracy, the index goes up. Any hint of a tactical sham pulls it down.

Mr Chung says he would only become concerned economically if the Korean currency appreciated more than 15 per cent a year, compared with a current rate of 12 per cent, or oil prices or interest rates rose sharply. Trade friction with the US is unlikely to curb exports.

"If tanks begin rolling down the streets and there's real violence," said Mr Myrick Hatch, vice president of the Korea Fund, "then perhaps the Koreans' confidence and optimism would begin to wane and long-term planning falter. But even then you'd only be talking of 6 per cent annual economic growth instead of 12 per cent now."

. Martial law or a military coup appear remote possibilities for now and the government is said to be developing wide ranging initiatives to hasten democracy. Should these happen, the stock exchange's sincerity index could become a euphoria index.

South Korean unrest 'may force' elections

BY MAGGIE FORD IN SEOUL AND STEWART FLEMING IN WASHINGTON

SOUTH KOREA'S ruling Democratic Justice Party was yesterday drawing up a series of proposals to put to President Chun Doo Hwan as opposition leaders claimed last Friday's nationwide demonstrations as a victory in the drive for democratic change.

About 200,000 people demonstrated in 57 cities and towns, substantially higher than the turnout on June 10 when the wave of protests began. Although a number of police vehicles and buildings were attacked and set on fire, police reported no major violence and no serious injuries.

The ruling party was reported to be considering the opposition's demand for direct presidential elections before the end of the year, so that a democratically elected leader could take over from President Chun when he steps down at the end of his term in February. Two other alternatives – a referendum to decide the type of government and a dissolution of the National Assembly followed by general elections – were also being considered.

Some DJP leaders were believed to be urging Mr Roh Tae Woo, the party chairman, to give up his presidential candidacy, because the President had now withdrawn his April statement suspending democratic debate. Mr Roh's candidacy started off the trouble in the country as people reacted against a further seven years of military-backed rule.

The opposition Reunification Democratic Party, led by Mr Kim Young Sam and Mr Kim Dae Jung, yesterday decided to wait and see the new proposals before taking any further action. Mr Kim Dae Jung said he remained sceptical about President Chun's intention to give up any of his power. President Chun met Mr Kim Young Sam last Wednesday for the first time and later had a round of meetings with other political and church leaders, including Cardinal Kim Su Whan, the Catholic primate.

Detailed transcripts of the meetings were published in the press, giving people a new insight into the personality of their leader, formerly a very remote figure.

At the same time, the first newspaper pictures were published of Mr Kim Dae Jung for seven years. Mr Kim is banned from politics under a suspended 20-year jail sentence for sedition widely thought to have been imposed on the basis of a trumped up charge.

Meanwhile, conflicting reports of statements by US officials who have recently visited Seoul filtered back from Washington. Dr Gaston Sigur, the Undersecretary of State for East Asia, was reported again to be urging President Chun towards genuine democracy.

Another official, Mr Edward Derwinski, Undersecretary for Security, was quoted by agency reports as saying that a consensus opinion was emerging that President Chun could be replaced by an interim president until after the 1988 Seoul Olympic Games.

Analysts were sceptical yesterday about the existence of any consensus on such a formula, which they thought would be quite unacceptable to the opposition and probably to the people.

Italian and French publishers link through cross holdings

BY JOHN WYLES IN ROME

A NEW international publishing alliance is in the making following an agreement to exchange shareholdings between Italy's Rcs Editori – once better known as Rizzoli – and the French groups, Hachette and Filipacchi.

Rcs, which is Italy's leading publishing group and controls the top daily newspaper, Corriere della Sera, is to take a 12.5 per cent stake in Fep, Hachette's publishing subsidiary, and 5 per cent in Publications Filipacchi. The Italian company's capital will be increased, meanwhile, to accommodate a 10 per cent Hachette shareholding. These cross holdings should be established by the end of the year, and their total value is expected to be between L160bn and L180bn ($121m-$136m).

As market leaders in their respective countries, the Italian and French companies say that they are aiming at an alliance capable of joint publishing ventures, as well as common efforts in audiovision and other advanced communications sectors.

They have already set out along this road with the agreement under which Rcs will publish an Italian version of the Hachette woman's magazine, Elle, in September.

One significant effect of the Hachette stake in Rcs is that it will reduce the holding of Gemina, the Fiat-controlled company, from 62.05 per cent to 55.84 per cent. Gemina's control of Rcs, and through it of the Corriere della Sera, has been widely criticised as an example of excessive Fiat power since the company also owns the Fiat daily newspaper, La Stampa.

Gemina gave the go-ahead on Friday for Rcs to seek a quotation on the Milan stock exchange. Mr Giorgio Fattori, the Rcs managing director, was reported at the weekend saying that the Hachette holding coupled with the planned public offer would take Gemina's stake down below 50 per cent.

The deal with Hachette marks a further stage in the rehabilitation of the former Rizzoli after a chequered decade which saw it fall under the contol of Mr Robert Calvi's Banco Ambrosiano. Links with the P2 masonic group badly discredited the Corriere, which has only really begun to demonstrate a revival of self-confidence in the last couple of years.

David Owen set to reject call for merger of two UK parties

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT, IN LONDON

DR DAVID OWEN, the British Social Democratic Party leader, is today expected decisively to reject mounting pressure from within his own party and from the Liberals to support a full merger of the Alliance parties.

In a crucial meeting of the SDP's national committee, called to formulate the wording of a ballot paper on the future constitutional framework of the Alliance, Dr Owen will reinforce the "anti-merger" message he gave to party members at the weekend.

Today's session will centre on a motion put forward by two Members of Parliament supporting Dr Owen, calling for closer links with the Liberals but rejecting any formula which involves the "abolition" of the SDP. The party leader expects to win the vote.

The proposal has enraged the pro-merger faction within the SDP leadership, which claims it is heavily biased against their case. Mrs Shirley Williams, the SDP president, will put forward an alternative motion which she and her supporters believe offers members a more balanced choice between merger or closer links.

Last night, efforts were still being made by Mrs Williams and Mr Des Wilson, the Liberal party president, to see whether there is scope for the two parties to jointly agree on the wording and the timetable of ballots planned for their respective memberships.

The move is designed to strengthen the arm of the pro-merger faction at today's SDP national committee meeting but Mr Wilson stressed last night that the contacts had been confined to "informal conversations". It seems unlikely that the initiative will prove capable of staving off a decision to back the Owenite motion.

Dr Owen made clear at the weekend that he will not serve in a merged party. His stand is certain to spark off a fresh bout of internal fighting within the SDP

The SDP leader last night received important eve-of-meeting support when his party's Scottish Council voted to reject a merger and gave their backing to a ballot on the issue.

But Dr Owen's latest comments drew immediate criticism from Mr Bill Rodgers, a founding member of the SDP who is in favour of a merger. He said the party leader appeared to be "putting a pistol to the head of party members" and saying 'either choose union or choose me."

Further pressure from within the SDP came last night from a group of 80 party candidates who wrote to Mrs Williams, describing the suggested wording of the Owen-backed motion as "highly inapropriate"

Background, Page 8

Iran renews attacks on Gulf shipping

Continued from Page 1

the Fao peninsula. It is also increasing its naval presence within the Gulf from seven to 10 ships and is sending the World War Two battleship Missouri to patrol off the Iranian coast just outside the waterway.

A senior Iranian Revolutionary Guards officer said at the weekend that these moves amounted to a "declaration of war" on Iran. The Tehran leadership has warned the Reagan Administration repeatedly against intervening in the Gulf.

The full-scale resumption of the so-called "tanker war" follows a break of several weeks after Iraq's apparently mistaken missile attack on the US frigate Stark in mid-May, in which 37 American sailors died. Baghdad resumed its attacks on ships trading with Iran on June 20.

Iran, which depends on sea routes to export the bulk of its oil, has said it will stop attacking ships if Iraq will do the same. To retaliate for Iraqi strikes, it has singled out vessels trading with Kuwait, one of Baghdad's two main financial backers, since last summer. It has also apparently laid mines in the sealanes off the northern Gulf state.

Kuwait is being helped by US officials to search for mines.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	F	25	77	Malta	S	23	73	Rhodes	S	27	81
Algiers	S	26	79	Edinburgh	C	18	64	Manchester	C	22	72	Rio de J'o	—	—	—
Amsterdam	C	20	68	Faro	F	26	79	Manila	—	—	—	Rome	F	28	82
Athens	S	28	82	Florence	F	28	82	Melbourne	C	11	52	Salzburg	S	24	75
Bahrain	S	40	104	Frankfurt	C	21	70	Mexico City	—	—	—	San Francisco	—	—	—
Bangkok	—	—	—	Funchal	F	22	72	Miami	—	—	—	Seoul	C	24	75
Barcelona	S	26	79	Geneva	S	23	73	Milan	S	27	81	Singapore	—	—	—
Beirut	S	27	81	Gibraltar	S	25	77	Montreal	—	—	—	Stockholm	C	17	63
Belfast	C	17	63	Glasgow	C	16	61	Moscow	C	24	75	Strasbourg	F	25	77
Belgrade	F	22	77	Guernsey	F	19	66	Munich	S	24	75	Sydney	S	15	59
Berlin	C	18	[illegible]	Helsinki	C	15	59	Nairobi	F	25	[illegible]	Taipei	—	—	—
Biarritz	S	30	86	H. Kong	S	31	88	Naples	F	24	75	Tangier	S	25	77
Bombay	F	31	88	Innsbruck	S	24	75	Nassau	—	—	—	Tel Aviv	S	28	82
Bordeaux	S	29	84	Inverness	F	19	66	New Delhi	S	41	106	Tenerife	S	24	75
Brussels	C	21	70	I.o.Man	—	—	—	New York	S	30	86	Tokyo	S	30	86
Budapest	S	26	79	Istanbul	F	27	81	Nice	S	26	79	Toronto	S	15	59
B. Aires	—	—	—	Jakarta	—	—	—	Nicosia	—	—	—	Tunis	S	27	81
Cairo	S	33	91	Jersey	F	23	73	Oporto	F	18	64	Valencia	S	28	82
Cape Town	S	24	75	Jo'burg	S	18	64	Oslo	S	16	61	Venice	S	28	82
Caracas	—	—	—	Lima	—	—	—	Paris	C	23	73	Vienna	S	25	77
Casablanca	S	25	77	Lisbon	S	20	[illegible]	Peking	C	25	77	Warsaw	C	22	72
Chicago	S	17	63	London	C	23	73	Prague	F	24	75	Washington	S	19	66
Cologne	C	24	75	Los Angeles	C	16	61	Reykjavik	C	11	52	Zurich	S	23	73
Copenhagen	S	18	64	Luxembourg	C	21	70								
Corfu	S	27	81	Madrid	S	34	93								
Dallas	F	21	70	Majorca	S	26	79								
Dublin	S	16	[illegible]	Malaga	S	27	81								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Belgian plan for EC summit

Continued from Page 1

In spite of French support, that approach is opposed by Belgium, which sees a danger of the transitional arrangement becoming permanent, and the UK, which is opposed to any suggestion of two consecutive increases in national contribution to the Brussels budget.

The southern member states – Italy, Greece, Spain and Portugal, backed by Ireland – all want a clear commitment to at least the doubling of spending on the so-called structural funds for social and regional projects. That is a demand the northerners are not willing to accept.

Locusts join litany of Eritrean plagues

By Jeremy Harding, recently in Eritrea

THE APPEARANCE of desert locusts in the war torn territory of Eritrea is causing widespread concern in the region as a whole. A report issued in May by the UN Emergency Prevention and Preparedness Group in Ethiopia (EPPGE) comments that "the locust situation in northern Eritrea presently appears to be out of control".

Last month swarms were reported in norther eastern Sudan at Kassala, a short distance from the Eritrean border. Aid workers and government officials in Khartoum are worried that more swarms may be imminent in July and August.

"We will know if things are really serious in Eritrea," said a US aid staff member in Khartoum, "when marching bands of hoppers or swarms start coming through the mountain corridor between Tessenei and Kassala."

The hopper stage of the desert locust's life cycle lasts approximately forty days, after which it enters the adult stage which may last anything between a further three to five months. The female can lay three times during the adult stage.

The 26-year old war between Eritrean guerrillas seeking independence from Ethiopia, and Addis Ababa, which annexed the territory in 1962 is a serious obstacle to tackling the infestation effectively.

The Eritrean People's Liberation Front (EPLF), with its bases in the north, controls at least two-fifths of the territory, including a substantial coastal strip. It also fields small guerrilla units further south in inland rural areas surrounding Eritrea's principal towns, all of which are held by Ethiopian Government troops. The coast and much of the territory's western rural areas are notorious breeding grounds for the desert locust.

The EPPGE's report states that aerial spraying took place in February and March north of the Ethiopian controlled port of Massawa – though how far north the report does not specify. At the same time, officials of the Desert Locust Control Organisation/East Africa (DLCO/EA) confirms that it has been able to spray from light aircraft along Sudan's Red Sea coastal areas, extending its operation beyond the Sudanese frontier as far south as the Eritrean coastal town of Mersa Teklai.

In Khartoum, officials of the Eritrean Relief Association (ERA) – a pro-independence agency with strong links to the EPLF – point out that this still leaves key areas of the coastline without adequate attention between Massawa and Mersa Teklai. ERA and the EPLF have launched two appeals to international agencies for comprehensive spraying. In the meantime, says EPLF agricultural expert Mr Heruy Asgedom, more locusts in the pre-adult stage have been sighted further west in Barka province, near the border with Sudan.

With the infestation threatening sorghum harvests throughout the guerrilla held areas, the EPLF and ERA are taking initiatives of their own. Mr Asgedom says that they have carried out limited spraying from Toyotas and also distributed motorised pesticide napsacks in the northern coastal districts.

The EPLF claims to have set up 10 monitoring and control stations in the territory, deploying sprayers wherever possible. Six of these stations, according to Mr Asgedom, are in southern rural areas near Ethiopian garrison towns, where a small but significant guerrilla presence restricts government activity. Here, explained Mr Asgedom, the EPLF can only deploy hand pump operated napsacks, which are of limited use.

Dr Abdel Moneim Karrar, who heads the locust control section of Sudan's Plant Protection Department, is taking the threat across the border very seriously.

"It's a disturbing situation" Dr Karrar reflected, scrutinising the map in his office. "Without proper control in Eritrea, one worries about exactly what may be coming up."

THE LEX COLUMN

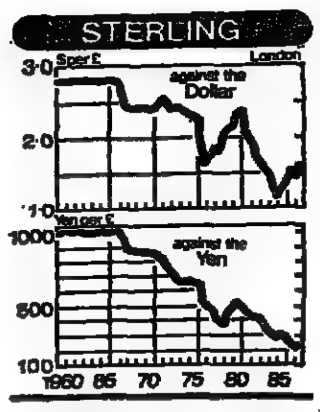
Importing hedges

The "comfort threshold" of fund managers and trustees in relation to foreign investment has been steadily shifting upwards for several years. But aside from injecting foreign return projections into classical risk/return models, little serious thought has been given to whether there might be an optimum level of internationalisation. Paul Woolley of Baring Investment Management has been seeking to fill this gap with the intuitively appealing idea that optimal diversification coincides with the degree of openness of the domestic economy, represented by imports as a percentage of GNP (28 per cent in the UK, 13 per cent in Japan and 10 per cent in the US).

Thinking of pension fund liabilities as a set of future consumption baskets, Woolley argues that a potential increase in the cost of living triggered by currency depreciation should be hedged by foreign currency assets in proportion to import penetration. A fund would then be matching the currency mix of assets with the expenditure pattern associated with its future liabilities. In most respects this follows the logic of a currency hedge and can hardly be rejected by conservative fund managers as speculation; indeed, not to hedge is to speculate on the relative strength of the "home" currency.

However, as with all currency hedges it also assumes that exchange rates do not properly reflect differential inflation rates. While this may be true over the short-run, figures compiled by Phillips & Drew suggest that over the longer run – which is after all what matters to pension fund managers – purchasing power parity does prevail. the average yearly UK inflation rate of 8.3 per cent between 1960 and 1986 is almost perfectly matched by the US dollar, which has inflated 5.2 per cent and appreciated by an average 3 per cent (relative to sterling) annually during the same period. Japan, it is true, is not so neat with a 6.2 per cent inflation and 4.5 per cent appreciation, but the combined figure for Germany is also just over 8 per cent.

Woolley's "openness matching" theory – like any hedge – may have some merit in ironing out the fluctuations, but that is what interest rate differentials in bond markets are supposed to look after. He also appears to assume that labour mar-



kets are rigid enough to ensure that wages always rise to compensate for currency depreciation; that may be true in the UK, it is less so in the US. And, more mundanely, does the import content in the consumption of pensioners really coincide with that of the average consumer?

The difficulty with most general investment theories is that they cannot encompass the widely varying risk: return requirements of a myriad of funds; why, for example, should a safety first fund bother about international hedging when it can stave off purchasing power erosion with index-linked gilts? Nevertheless, common benchmarks do have unacknowledged influence in the small world of fund management and Woolley has at least set people thinking. The most serious criticism of his work lies in the old-fashioned assumption that UK companies make sterling profits.

The UK corporate sector has, in fact, been making life easy for the fund managers by doing the hedging for them. If the companies are already buying sophisticated hedging instruments why should that expenditure be duplicated; more to the point, last year 45 per cent of UK industrial profits came from overseas. Assuming the average UK fund has slightly less than 60 per cent of its assets in UK equities then that 28 per cent import penetration figure has been reached before investing one penny directly in a foreign security. (The current proportion of UK private sector pension funds abroad is just over 20 per cent).

Ruling out such sleight of hand – and premature talk of a truly international equity market – "openness matching" does at least point to a sensibly low internationalisation limit compared with the standard risk diversification models (now imprudently recommending up to 50 per cent foreign). The Woolley figures could well provide the most realistic benchmarks over the next few years. But if Japanese fund managers pay them too much attention they will soon be hitting their limit, and then who will finance the US deficit?

Vanishing earnings

Remember the old academic argument against distributing earnings? Dividends, the argument ran, are a waste of time and taxes because shareholders will be enriched more efficiently by the share price rise that represents retained earnings. Well forget it.

There is precisely no correlation between earnings and share prices, says Mr Ben Ball in tomorrow's Harvard Business Review. Blue-chip companies should distribute their profits because the market will ruthlessly discount anything they keep and in some cases even penalise their share prices. Hold some profitable US blue chips and you will end up on welfare.

Mr Ball analysed the 50 largest mature US companies by market value from 1970 to 1984. Taking rolling five-year investment periods, he looked at the way the market values reinvested profits by dividing share-price changes by retained earnings. The results are dramatic. Schlumberger topped the list with a ratio of 458 per cent. In those days when oil wells were actually being dug, the market thought Schlumberger such a smart investor that it lifted Schlumberger stock $4.58 for every $1 of extra capital available from retained earnings.

At the other end of the scale, the market judged the managements of American Express, GM, Eastman Kodak and Sears Roebuck to be so inept as to penalise their stock prices for the additional capital available to them. At rock bottom, Xerox's stock fell $2.20 for every dollar in profit it retained.

The average for the 50 companies showed that investors actually received only 84 cents for every dollar retained. The solution: managements should return profits to the market in the form of dividends where a dollar is a dollar. If a mature company requires capital for investment, let it first convince the market by issuing new shares.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday June 29 1987

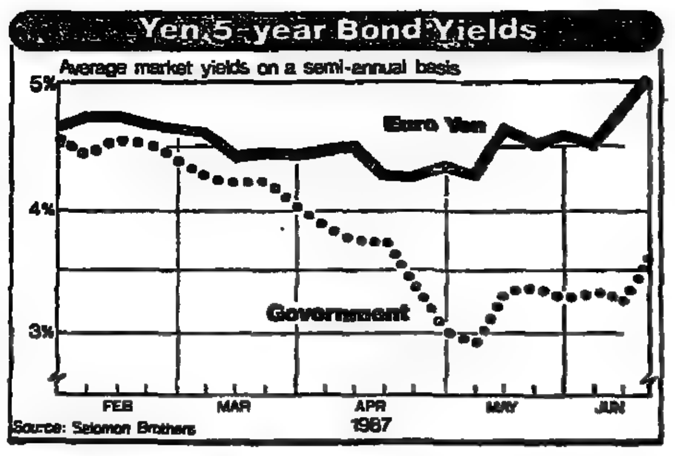
Australian dollar and Euroyen sectors under strain

THE Euroyen and Australian dollar markets, two of the most favoured in the Eurobond arena earlier this year, came under severe strain last week. In both cases, it was partly the old, old Eurobond market story; a problem of oversupply, writes **Claire Pearson in London.**

In the Euroyen market the problem went rather deeper, however, as the sharp rise in Japanese government bond yields for the second week running began to smack of fundamental correction in the yen sector.

Last week, the government bond market was shaken badly by higher short-term interest rates and the prospect of further hefty government funding to finance expansion plans for the domestic economy. And dealers said they foresaw yields going yet higher.

This is a serious setback for the Euroyen market, which has proved one of the most reliable alternatives for borrowers this year. During the first four months the ranks of European investors were swelled by Japanese buyers, who moved in to pick-up the attractive yield differentials over Japanese government bonds available in the Euroyen sector, as speculative buying drove yields on domestic bonds ever lower.



Meanwhile the Japanese houses which dominate the Euroyen market were able to encourage a host of borrowers, many of whom achieved highly attractive swap-rates out of the yen into other currencies, to take advantage of these conditions. According to a research document by Credit Suisse First Boston, new issues have totalled Y2,000bn so far this year.

But last week, the primary Euroyen market virtually ground to a halt, apart from specialty deals designed to suit the cash flow needs of particular investors, and syndicate managers were expecting to put the new issue market on ice for some weeks to come.

The picture in the secondary market was not, however, as bleak as might have been thought. After a highly volatile week, prices ended up about one point higher than the close on Monday, when the market had dropped substantially following a sharp fall overnight in Tokyo.

And dealers say that there has been steady buying interest at the cheaper levels, from banks able to buy up bonds trading at significant discounts and swap them into floating rate funds, and from fixed rate investors simply attracted by the high yield levels.

But the massive yield gap between government and Euroyen bonds was beginning to look under threat by the end of the week. As the Euroyen market lagged falls in the domestic market, yield margins were already beginning to narrow. The trend was expected to accelerate, especially if supply from the new issues market dried up.

By comparison with the Euroyen market, the troubles of the Australian dollar market last week appeared surprisingly simple.

Investors could have found excuses for nerves about the fundamentals of the market if they had wanted to, what with the general election in Australia on July 11 looming. But dealers felt that this was not the reason for their suspension of buying activity, given widespread confidence that the Labor administration will be re-elected.

Most dealers ascribed the problem to the onset of the holiday season. It was simply that the thoughts of the Continental retail investors, who still form the bulk of buyers of Australian bonds, were turning away from the market and towards the beach.

And institutional investors, who have been beginning to play in the Australian sector this year, were failing to take up the slack, possibly judging that there was little prospect of a fall in interest rates in the next few months on the scale seen earlier in the year.

The flow of bonds in the primary market continued unabated, however. Syndicate managers, keen for the profit on the swap which attached most of the bonds, probably judged that they could afford to hold new paper for a while, given the positive yield differential between short and long term Australian dollar interest rates.

The problem was that co-managers, mindful of the huge supply already washing around into the market, felt little incentive to support the new issues. Many of them were in any case for names which were unlikely to catch the imagination of the few remaining investors committing new money to the market.

Most of last week's bonds are believed to have ended up on the lead-manager's books, after having slipped to considerable discounts in grey market trading.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	3,580.5	223.7	–	4,272.3
Prev	1,820.5	782.7	910.1	5,225.4
Other	2,183.5	581.1	–	582.5
Prev	1,835.3	349.0	702.6	344.6
Secondary Market				
US$	27,505.3	2,028.3	14,533.8	6,488.2
Prev	17,973.9	2,210.2	14,178.5	5,671.9
Other	19,381.1	1,632.8	4,417.8	11,431.8
Prev	15,651.0	1,003.2	2,318.7	7,155.7

	Cedel	Euroclear	Total
US$	16,081.5	42,540.8	58,622.1
Prev	12,757.8	35,626.5	48,384.3
Other	15,585.2	24,591.4	40,176.6
Prev	11,836.0	16,907.5	28,743.5

Week to June 25 1987 Source: AIBD

Swiss executives resign from US bank after head is sacked

BY STEPHEN FIDLER IN LONDON

CHEMICAL New York Capital Markets Corporation, the Geneva-based subsidiary of the US money centre bank, is moving to replace five traders who resigned following last week's sacking of the head of the operation.

The dismissal of Mr Jean-Claude Birschler, 38, surprised bankers in Switzerland, where it is unusual to hear of the firing of a senior banker.

Mr Birschler, who joined Chemical in Geneva in August 1984 from Banque Scandinave en Suisse, is understood to be establishing his own company which was expected to employ the five traders who resigned.

Chemical gave no reason for his dismissal. An official in New York said that the subsidiary had been profitable and there was no question of scandal.

The bank has appointed Mr Hanharm Musters, 39, chief operating officer of Chemical's London merchant banking arm, as general manager and managing director of the operation on an interim basis.

Chemical remained committed to the Swiss capital markets and would replace the traders who quit to bring the dealing room back to its full strength of about 15, the spokesman said.

Chemical employs around 75 people in Geneva, from where it also runs its private bank, Chemical Bank (Suisse).

Sanwa Bank lays stepping stone to corporate Euroyen paper

THE market in *short-term yen-denominated* securities is taking a step forward with the announcement of a Y50bn Euro-certificate of deposit programme for the London branch of Sanwa Bank, writes **Alexander Nicoll in London.**

Shearson Lehman Brothers International is arranging the programme and other dealers will be Salomon Brothers International and Sanwa International. It is designed as a stepping stone to corporate Euroyen commercial paper, keenly awaited but still to be permitted by the Ministry of Finance.

The programme and others expected to be launched soon could give a boost to the Euroyen CD market which has existed for some years but with fairly small volume.

Meanwhile, the Eurocredit market was buzzing last week with speculation about an imminent mandate for a sizeable loan for Autostrade, the Italian motorway concern. Bankers Trust and Mitsubishi Bank were strongly rumoured to have won the mandate, but neither could confirm this.

Terms were expected to be tight, with speculation centred on a maturity of about 10 years and a margins of 7.5 to 10 basis points. Last year, Autostrade arranged an Ecu 200m 11-year deal with split margins ranging from 6.25 up to 18.75. The new deal is also expected to involve Ecus.

Czechoslovakia's loan, which met a strong response despite its tight terms, has been increased from $200m to $320m, and was oversubscribed at that level.

There was some uncertainty, however, about the fate of a $250m loan for Portugal's Companhia Nacional de Petroquimica being arranged by Bank of America and Manufacturers Hanover. They said the deal would go into general syndication very shortly.

A couple of responses were still awaited before the lead management group could be finalised. Market expectations were that the group, when formed, would have a heavily Japanese flavour.

Powell Duffryn, the UK industrial holding company, has mandated National Westminister Bank to arrange a $100m multi-option facility, including a sterling option, of which $65m is committed. The seven year credit has a margin of 15 basis points over Libor for five years and 20 basis points for the remaining two. The facility fee is 10 basis points and utilisation fee 5 basis points if the credit is over half used.

Storebrand, a Norwegian insurance and financial services concern, has made history of a kind in the Eurocommercial paper market by appointing no less than nine dealers to its $250m programme. This was done for relationship reasons, and the number is due to be reduced within six months.

Salomon Brothers International is arranging the programme as well as a $50m revolving credit, extendible annually by Storebrand up to a maximum of five years. This carries a 5 basis point commitment fee as well as a 2.5 basis point extension fee, and advances are at 10 basis points over Libor.

Integrated Resources, a New York financial services company, has mandated Orion Royal bank for a $100m five-year revolving credit with a margin of 15 basis points over Libor, a facility fee of 15 basis points, utilisation fees ranging up to 15 basis points and front-end fees of up to 12.5.

Hot on the heels of the recent $400m loan for Greece, the Bank of Greece is tapping Japanese banks for a Y20bn two-tranche loan for 10 years including five year's grace. A fixed rate portion carries a fixed interest rate of Japanese long-term prime rate plus 20 basis points, or prime rate plus 10 basis points with the base refixable after five years. The floating rate portion is at prime rate flat.

Two increases were announced: Bristol and West Building Society's facility was expanded from £200m to £250m, with the committed portion going up from £80m to £100m. An existing £185m multi-option facility for Capital Holdings Corporation, a US financial services company, is being expanded to $300m.

Bahrain bank in talks with Kuwaiti investment company

BY OUR FINANCIAL STAFF

UNITED GULF BANK, an offshore banking unit based in Bahrain, has begun talks that could lead to its acquisition by a Kuwaiti investment company, according to UGB's general manager, Mohsen Khaled.

He said talks on a "friendly acquisition" were underway with Kuwait Projects Co, 51 per cent owned by the Kuwaiti Government. Shares in both groups were suspended on the Kuwaiti Stock Exchange last week.

UGB made heavy losses of $10m in 1985, but returned to the black with a net profit of $6m last year.

UGB had been one of five smaller Bahrain-based banks involved in merger talks in late 1985, but these fell through. The bank had end-1986 consolidated assets of $307m.

Kaled said the acquisition, discussed at the bank's recent shareholders meeting, would be made through a share swap, with the roughly 20,000 shareholders in UGB being offered new stock in Kuwait Projects Co.

He did not expect the deal to go through until early next year.

France's leading television station goes public today. **George Graham** reports

Political ploys behind the TF-1 rhetoric

MR FRANCIS BOUYGUES has spent the last week telling everyone who would listen how much money his television chain was going to lose over the next year or two.

TF-1, France's leading television channel, goes on sale today, with 7.636m shares on offer to the public for a two-week period at a price of FFr 165, valuing the entire television station at FFr 3.465bn ($570m).

It is a strange tone to adopt for someone who is trying to sell shares in a company, but Mr Bouygues, France's leading construction magnate, has a deep political game to play.

His aim is to force the Government to re-draft the rules of the television game by barring the two stations which remain in state hands, Antenne 2 and FR-3, from competing for advertising, and instead funding them through the licence fee.

"It is extremely urgent that the state which wanted, quite rightly, to liberalise French television, should restore order on the broadcasting scene by reserving state money to the state chains and private money to the private chains," Mr Bouygues said.

Mr Jacques Chirac, the Prime Minister, seems to sympathise with the construction king turned television tycoon, but his Culture Minister, Mr Francois Leotard, and Mr Edouard Balladur at the Finance Ministry have been relentless.

There will, they say, be no revision of the terms on which Mr Bourgues bought control of TF-1, which already envisage a decline in Antenne 2's and FR3's share of the advertising market, even if this means putting off the small investors who have been assiduously courted for the other privatisations.

Certainly, the small investors do not seem to be enthusiastic. Only one Frenchman in 100 is keen to buy TF-1 shares, according to a Louis Harris poll.

Mr Bouygues, nevertheless, claims to expect 2m shareholders once the offer is over.

Three months ago, the "cement king" semed to have little chance of ending up as chairman of a broadcasting chain. To almost universal surprise, he won in April a fierce battle against the publishing company Hachette—close to the ruling right-wing coalition—for a 50 per cent-controlled stake in TF-1.

The consortium headed by Mr Bouygues, which includes the Maxwell press group as well as Mr Bernard Tapie, owner of the Olympique Marseilles Football Club, paid a heavy price for control: FFr 3bn, compared with the FFr 1.73bn price tag set yesterday on the remaining 50 per cent.

The advertising group Havas, which had been expected to partner the Hachette bid, dropped out because it thought the price too high.

Mr Francis Bouygues—construction king turned television tycoon

Cholet Dupont, stockbrokers to the TF-1 issue, estimate the value of the chain at a little under FFr 3bn, or FFr 140 a share, and note that if it were to be sold on the same price earnings ratio as British television stations it would be valued at only FFr 2.3bn.

The sale of TF-1 is the first in which a western government has taken a state television station and dropped it back abruptly into the private sector.

The short-term result has been market warfare, as TF-1 and the rival channels — especially LA-5, now headed by the right wing newspaper owner Mr Robert Rersant — tried to outbid each other for star presenters, film rights and sound engineers.

Star journalists like Ms Michelle Cotta or presenters like Dorothee, an inane singer beloved of France's under-tens, have been signed up for large fees.

Competition for TF-1's dominant share of the television advertising market, the loss of its licence fee income, and the threat of rival satellite and cable broadcasting networks, all mean that potential investors have little to go on in judging the channel's financial prospects.

"Last year's accounts have absolutely no significance for the privatised station," Mr Bouygues said last week. "Buyers should understand that they are taking part in a risk operation."

TF-1's advisers, Banque Indosuez, forecast in the channel's prospectus that total spending on television advertising in France will double over five years to reach FFr 10.49bn by 1990.

This should give TF-1, with 33 per cent of the television audience and nearly 40 per cent of advertising receipts, revenues of around FFr 4.1bn by 1990.

But the channel's costs are also expected to rise steeply, partly as a result of its promise to the Broadcasting Commission to devote at least 15 per cent of turnover to original French productions and in part also because of the spiralling royalties paid for major sporting events and programmes.

Bids for next year's French open tennis championships are now 10 times the price paid for the 1987 rights, TF-1 officials say, while the price of an episode of "Dallas" has doubled.

Mr Bouygues' sparring partners in the ministries are unconcerned at claims that they have sold the building magnate, and now the public, an extremely expensive pup.

Are TF-I's medium-term earnings prospects really so different now than they were only a few weeks ago they ask, when all the commentators were applauding the turnround achieved at TF-I by Mr Herve Bourges, the station's last managing director?

One senior official even finds cause for self-congratulation. "If we succeeded in fleecing Mr Bouygues, plus Mr Maxwell, plus Mr Tapie, then we are certainly the first who have managed to do so."

Kvaerner expects better 1987 result

By Karen Fossli in Oslo

KVAERNER, Norway's engineering and industrial group, reported first four month pre-tax earnings of NKr 52m ($7.8m), down from NKr 57m a year earlier. Total turnover, January through April, reached NKr 1.57bn.

The figures for the first four months of this year's operations, however, do not reflect what is expected for the total year, says Kvaerner. the four month figures, it says, reflect a loss incurred from the delivery of a shuttle tanker.

For 1987 as a whole Kvaerner expects better results, due primarily to a significant number of orders on the books. For 1987 total sales are estimated by Kvaerner at some NKr 5bn.

Indian motor group plans to slice dividend

BY R. C. MURTHY IN BOMBAY

TELCO, the car arm of India's huge Tata industrial group, plans to more than halve its dividend following a severe setback in profits for last year.

Net profits plunged to £29.3m in the year ended March 1987 from £162.9m previously. Turnover during the year showed limited growth, rising by just 2 per cent to £11.97bn.

As a result, the dividend has been reduced to 10 per cent from 23 per cent. Moreover, part of the latest dividend is being paid out of previous year's earnings.

However, the stock markets have not reacted too bearishly and Telco shares lost only £5 to £370 on the Bombay Stock Exchange on Friday. The market had discounted the poor performance.

Gross profits fell by nearly 14 per cent to £960.1m last year. The year's net profit was struck after reduced depreciation. The provision for depreciation was reduced by a third to £215.7m

Mr S. Moolgaokar, Telco's chairman, says the market for heavy and medium commercial vehicles has not expanded and competition among light vehicle producers brought down truck prices to uneconomic levels. He expects vehicle sales this year to be more profitable.

Norway to issue options

BY OUR FINANCIAL STAFF

NORWAY is to introduce share options trading by the end of this year following a request from the Oslo bourse, the Finance Ministry said.

The Ministry said it will work on rules for the options, but gave no details. Norway already has some limited unofficial share options trading, while Sweden introduced share options in 1985 and the Stockholm market has since boomed.

Brokers welcomed Norway's move as a chance to introduce more market-making instruments.

Hoesch turnover slips

BY OUR FINANCIAL STAFF

HOESCH, the West German steel group, has achieved satifactory results in the first five months of 1987 despite falls in turnover and incoming orders, Mr Detlev Rohwedder, management board chairman, said at the annual meeting.

He gave no figures. For 1986 group net profit fell to DM 270.5m ($148.1m) from DM 395.4m the previous year and the dividend was maintained at DM 5 a share.

Mr Rohwedder said difficult conditions in the steel sector required further rationalisation.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
US DOLLARS							
Toyama Chemical ¶‡	50	1992	5	1⅜	100	Yamaichi Int. (Eur.)	1.375
Yamamura Glass Co. ¶‡	40	1992	5	1⅝	100	Yamaichi Int. (Eur.)	1.625
Pasco Corp. ¶‡	85	1992	5	1⅝	100	Nomura Int.	1.625
Cosmo Secs. ¶‡	50	1992	5	1⅜	100	Schroder Wagg/Cosmo	1.375
Nippon Oil and Fats ¶‡	70	1992	5	1⅜	100	Yamaichi Int. (Eur.)	1.375
Topa Series V (a)†‡	150	1992	5	15bp	100.1	Bankers Trust Int.	–
Ohbayashi Road & Con. ¶	25	1992	5	(1⅜)	100	Nomura Int.	–
Kajima Corp. ¶	200	1992	5	(1¾)	100	Daiwa Europe	*
Coca-Cola Ent. ‡	100	1990	3	8¼	101¼	CSFB	7.767
Chase Corp. Fin. §	75	1997	10	(5¼)	100	Kidder Peabody	*
Bond Finance Int. §‡	250	1997	10	5¾	100	Salomon Brothers	5.756
Nichirei Corp. ¶	100	1992	5	(1⅜)	100	Nikko Secs (Europe)	*
Nichirei Corp. ¶	50	1994	7	(2⅞)	100	Yamaichi Int. (Eur)	*
Okamura Corp. ¶	100	1992	5	(1⅜)	100	Daiwa Europe	*
Shinagawa Fuel ¶	50	1992	5	(1⅜)	100	Yamaichi Int. (Eur)	*
Yamanouchi Pharm'ical ¶	100	1992	5	(1⅜)	100	Nikko Secs (Europe)	*
Nippon Shinpan ¶	200	1992	5	(1⅜)	100	Daiwa Europe	*
Toyota Motor Corp. ¶	800	1992	5	(1¼)	100	Nomura Int.	*
Nokia Oy ¶	100	1992	5	5	100	Morgan Guaranty	*
Rouse Co. §	130	2002	15	5¾	100	Kleinwort Benson	*
Cives 2 (e)†‡	100	1992	5	17bp	100	Nikko Secs (Europe)	–
World Bank (f)‡	400	2017	30	9¼	100	Goldman Sachs	9.464
Sabre 3 (g)†‡	200	1992	5	3/16	100.05	Yamaichi Int. (Eur.)	–
Mentor Corp. §	30	2002	15	(6¾)	100	J. H. Schroder Wagg	*
Enhart Corp. §	50	2002	15	(6½–6¾)	100	Shearson Lehman Bros.	*
CANADIAN DOLLARS							
Central Capital Corp. ‡	75	1992	5	10⅝	101¼	SBCI	10.045
RTT ‡	87	1990	3	9¾	101¼	Bankers Trust Int.	9.254
Prov. of Saskatchewan ‡	150	1990	3	9½	101⅛	Wood Gundy	9.055
DKB Netherlands ‡	100	1992	5	9½	100⅞	Wood Gundy	9.273
AUSTRALIAN DOLLARS							
ASLK-CGER Finance ‡	50	1990	3	14¼	101½	Goldman Sachs	13.688
Indosuez Australia ‡	50	1991	4	14⅛	101¾	CSFB	13.530
Credit Lyonnais ‡	65	1991	4	14	101½	Hambros Bank	13.491
GTE Finance ‡	75	1992	5	14	101⅞	Warburg Secs.	13.461
Westland-Utrecht H'bk ‡	50	1990	3	14¼	101⅜	EBC Amro Bank	13.661
Royal Trustco ‡	50	1992	5	14¼	101⅞	County NatWest	13.708
ABC ‡	50	1992	5	14	101⅝	Orion Royal Bank	13.496
Akzo ‡	60	1990	3	14	101½	ABN	13.351
D-MARKS							
World Bank ‡	600	1997	10	6¼	99⅝	Deutsche Bank	6.284
Canon Europa ‡	100	1994	7	6⅛	99½	Deutsche Bank	6.215
Stars II (d)†‡	300	1998	10½	30bp	100.05	Morgan Guaranty	–
SWISS FRANCS							
Olympic Co. ¶‡	50	1992	–	⅞	100	Morgan Stanley	0.875
Tiroler Wasserkraftwerke ‡	100	1997	–	4¾	100¼	Credit Suisse	4.718
BBL Int. ¶‡	100	1997	–	2¾	100	Credit Suisse	2.750
St. Genevieve Resources §	25 min	1992	–	5⅞	100	Banque Indosuez	5.951
TNT Ltd.	100	1995	–	(5)	(100¾)	Warburg Soditic	*
Seibu Credit **§	100	1992	–	(¾)	*	Credit Suisse	*
Mitsubishi Oil **§	150	1992	–	(¾)	(100)	Credit Suisse	*
STERLING							
Bond Finance Int. §‡	80	1997	10	6	100	Salomon Brothers	6.000
ECUs							
Solvay Finance ‖‡	50	1995	8	7⅜	100	Kredietbank Int.	7.375
LIRE							
EIB ‡	150bn	1994	7	10	100¾	Banca Manusardi	9.847
LUXEMBOURG FRANCS							
PKbanken **‡	300	1992	5	7¼	100	Kredietbank Int.	7.250
SAS **‡	100	1994	7	7⅜	100¼	BIL	7.328
YEN							
Credit Lyonnais ‡	10bn	1992	5	5	100¾	Nomura Int.	4.833
Brisa Autostrada †‡	10bn	1992	5	(b)	100⅛	Mitsui Fin./Nomura Int.	–
Ford Motor Credit ‡	15bn	1992	5	(c)	101	Nikko Secs (Europe)	–

* Not yet priced. ‡ Final terms. ** Private placement. ¶ With equity warrants. § Convertible. † Floating rate note. ‖ Currency-linked. (a) 15bp over 6m Libor. (b) Japanese long-term prime rate minus 60bp. (c) Coupon: years 1 and 2 1½; years 3–5 7½. (d) 30bp over 6m Libor. (e) 17bp over 6m Libor. (f) Launched on US domestic market. (g) 3/16 over 6m Libor. Note: Yields are based on AIBD basis.

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	— 12-month — High	Low
Fed Funds (weekly average)	6.74	6.69	6.84	11.34	5.71
Three-month Treasury bills	5.78	5.65	5.68	6.52	5.01
Six-month Treasury bills	6.11	5.91	6.15	6.54	5.06
Three-month prime CDs	6.92	6.93	7.05	7.25	5.46
30-day Commercial Paper	6.88	6.86	6.83	7.70	5.55
90-day Commercial Paper	n/a	6.92	6.90	7.05	5.45

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	93 25/32	−3/32	8.21	8.15	8.33
20-year Treasury	106 5/32	−5/32	8.67	8.62	8.74
30-year Treasury	102 31/32	+1/32	8.47	8.48	8.64
New 10-year "A" Financial	n/a	n/a	n/a	9.60	9.30
New "AA" Long utility	n/a	n/a	n/a	9.60	9.60
New "A" Long industrial	n/a	n/a	n/a	9.70	9.55

Source: Salomon Bros (estimates).

Money Supply: In the week ended June 15 M1 fell by $1bn to $744.8bn

NRI TOKYO BOND INDEX

December 1983 = 100	25/6/87	Average yield (%)	Last week	12 wks ago	26 wks ago
	— PERFORMANCE INDEX —				
Overall	139.25	4.18	140.77	138.54	131.90
Government Bonds	141.02	3.74	143.00	140.32	132.78
Municipal Bonds	139.06	4.79	140.20	138.76	132.21
Government-guaranteed Bonds	139.87	4.87	141.13	139.67	132.94
Bank Debentures	134.05	3.64	135.20	133.03	128.26
Corporate Bonds	137.51	5.21	138.14	136.72	130.45
Yen-denominated Foreign Bonds	139.51	6.10	139.85	137.47	132.91
Government 10-year†	—	4.54	4.27	4.62	5.35

† Estimated par yield.

Source: Nomura Research Institute.

US MONEY AND CREDIT

A severe bout of indigestion after quarterly mini-refunding

AFTER A listless week, US credit markets suffered a severe bout of indigestion on Friday with the market stuffed with new paper from the Treasury's quarterly mini-refunding.

The pressure on prices all round wiped out some small gains from earlier in the week and the Treasury long bond ended the week more or less unchanged, to yield 8.48 per cent.

The Treasury auction was of $24.5bn in two, four and seven-year notes. The problem is that these maturities are too short to entice the speculators, who prefer the much greater volatility of longer-dated issues. Meanwhile, retail interest has been decidedly cautious even as the marekts have recovered from their collapse in April and May.

Though there are people saying long yields will fall under 8 per cent again, they are not betting money on it. "There has been a 50 per cent retracement from the big sell-off in April and May," says Mr Bob Brusca, chief economist at Nikko Securities.

"The main technical reason to buy is gone." There was little new on the economic front to encourage buyers into the auction. The only economic news of substance was good news: consumer prices rose by 0.3 per cent in May, which implied an annual rate of inflation comfortably over 5 per cent but no worse than expected. But this was out of the way (or, rather, in bond prices) on Tuesday before the refunding got going.

The Wall Street firms are themselves chary of holding too much inventory. The Street's losses from being left with collapsing bonds in April and May have been put as high as $1bn, with Merrill Lynch's $275m loss only the most spectacular of a number of unfortunate performances.

The result was that prices were being marked down for quick sale for most of the second half of the week. The $7bn of seven-year notes ended up down about ½ point from their issue price on Thursday, to yield 8.21 per cent as against 8.10 per cent. The two-year and four-year notes, priced to yield 7.46 per cent and 7.89 per cent, were down about the same amount.

Otherwise, the US fixed-interest markets spent an unproductive week reacting to the smallest movements in the foreign exchange markets. From the response of US bonds last week, you might have thought that a yen one way or the other in value of the US dollar actually made a difference to inflationary expectations.

Until the end-of-week indigestion set in, the bond markets moved wholly in line with the yen/dollar parity: the yield on the long bond ranged between 8.40 per cent and 8.48 per cent as the dollar moved between just over Y146 and just under Y145.

The bond markets can rejoice that the heavy speculation against the dollar has stopped, *but it has given way to jumpy,* thin trading. The forecasts of Y180 or Y120 to the dollar by the year-end have thinned out. But the markets were still unsettled by rumours of central bank selling early in the week and by contradictory signals about future dollar values from the Bank of Japan.

The market scarcely needed last Tuesday's figures from the Commerce Department that the US was some $263.6bn in debt to overseas sources (above all Japan) at the end of 1986. As Mr Brusca points out, the US Treasury market has been driven by the exchange rate and Japanese bond prices all year.

For those wishing to speculate on a rise in the dollar, last week saw the latest in a wave of so-called currency-exchange warrants. On Wednesday, Bear Stearns and Kidder Peabody announced a new offering tied not to the yen but to the D-mark. The offering for the General Electric Credit Corporation, consists of $100m in 8 per cent, three-year notes with attached currency-exchange warrants priced at $4.75 each.

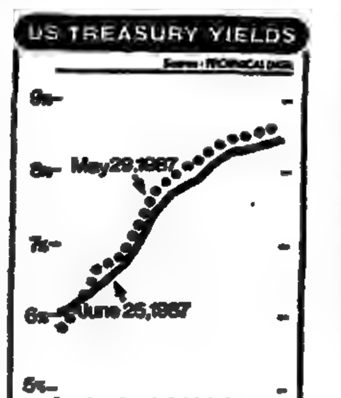
The warrants can be exchanged at any time until July 1992 but will have a cash value only if the dollar improves above DM 1.912.

* * *

THE FOLLOWING statistics are due for release this week, along with estimates of market expectations as surveyed on Friday by Money Market Services, of Redwood City, California:

- The May leading economic indicators are due tomorrow. The index is expected to rebound from the 0.6 per cent decline in April, with a consensus estimate of a rise of the same percentage. The 33 estimates surveyed ranged from an increase of 0.3 per cent to an increase of 0.9 per cent.
- Unemployment rate for June is due on Thursday. The total unemployment rate is expected to have moved up a little. The consensus estimate is for a rate of 6.3 per cent as against a preliminary 6.2 per cent in May. The 36 estimates surveyed ran from 6.2 per cent to 6.4 per cent.
- Total non-farm employment is expected to move up about 200,000 although the range of 38 estimates goes from 100,000 to 260,000.

James Buchan



UK GILTS

Focus on sterling and inflation

IT WAS another disappointing week in the UK Government bond market with prices ending as much as 2½ points lower overall. Striking civil servants deprived the market of the latest trade figures to break up the monotony and primary dealers were left focusing almost exclusively on sterling and vague worries about inflationary pressures, the current account and the supply burden.

The Bank of England's obvious market management of the tapstock was generally interpreted rather pessimistically although one is hard put to see why a piece of classic pragmatism from the Government Broker should have any longer-run implications for gilts.

Nevertheless, the pessimists argued that the Bank was acknowledging that yields above 9 per cent were appropriate and the rapidity with which the authorities jumped in to cut the tap price on the first sign of an upward blip in the market signalled a real desperation about funding.

The intervention against sterling has certainly led to a substantially underfunded position but the authorities have never claimed they want to sterilise this on a current basis. Without the intervention, they would have *virtually exactly* funded the Public Sector Borrowing Requirement. In addition, as Goldman Sachs points out, the heaviest period of gilt redemptions is now over—after July, there are no more redemptions until November—and PSBR trends continue to look excellent.

Friday's announcement of three tranches totalling £500m across the maturities spectrum bit a market which was already feeling disconsolate and prices ended ½ points lower on the day. Suggestions that several *market-makers* were short of these issues, which are in relatively short supply, suggests, however, that there should be some ready demand.

In general, last week saw very little retail interest either at home or abroad.

There is some small consolation for depressed gilt-edged dealers and salesmen in the fact that fixed interest the world over (apart from in the US, at least at the moment) seems to have been given a large thumbs-down by the international investment community.

Mr George Magnus, international bonds economist at Warburg Securities, believes the outlook for world bond markets is pretty bleak. "For bond investors, the only game in town is the prospect of currency plays to the extent that there are further movements in the structure of relative exchange rates." At best, he expects the trend of yields to be flat.

All markets are having to cope with one or more of four major depressing factors—a forecast upturn in economic activity in the summer months after a more buoyant second quarter, a sense of rising inflation, a rapid pick-up in monetary growth (except in the US) and rising public sector deficits.

The Japanese market has been worst hit. The yield on its benchmark 5.1 per cent 1996 issue has risen from around 2.6 per cent in mid-May to around 4.06 per cent on Friday. At the root of this market's problems is the perception that Japanese interest rates cannot be cut further because of a pick-up in growth which will be given a further boost from the recently announced reflation package, rapid growth in money supply, and the return of inflation.

Some of the same problems beset the West German and British markets both of which are concerned about inflationary pressures, the level of wage settlements and above-target money supply growth. One advantage for gilts over German bonds is that while Germany's control of its budget deficit seems to have slipped somewhat, Britain's public finances are in a very healthy state.

Dr Brendan Brown, chief international economist at County NatWest, said the key to the fortunes of these markets is the dollar which the US bond market is tracking so closely. Switching back into Treasury bonds from non-dollar fixed-interest markets has been the key to rising yields outside the US in the past two weeks, he says.

There is a widespread belief the dollar's current recovery won't last and some money may return to non-dollar bond markets. However, if all the above worries then argue against the switch-back, there are always equities.

Janet Bush

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN Bank 8½ 91	150	99½	+0⅛	8.63
Aetna Life & Cas 7¼ 16	200	94¼	+0⅛	8.23
AHFC O/S Fin 11¼ 94	100	101¼	−0½	11.43
[illegible]				
Proctor & Gam 10 95	150	105	−0⅛	9.10
Pru Rlty Secs 0 99	365	33⅞	−0⅛	9.83
Qantas Airways 8⅞ 96	97	95½	+0⅛	9.26
Quebec Prov 13 90	150	110½	+0⅛	9.17
Queensld Gvt 11¼ 89	100	105¾	−0⅛	8.61
[illegible]				
Newmont Mining 7 01	100	132⅞	+5⅞	−0.50
Nippon Seiko 3¾ 99	70	159¾	+5	−1.84
IBM 6⅜ 96	300	118⅞	−0⅛	9.64
Rockefeller Centre 0 00	952	26⅞	+0⅛	−70.78
Southwest Air 6¼ 98	35	89	−0⅛	69.26
[illegible]				
Petro-Canada 7¼ 98	[illegible]	[illegible]	[illegible]	[illegible]
Philip Morris 9⅞ 98	200	103	0	9.40
PostOch Kred 13½ 87	50	100⅞	−0⅛	8.90
Postipankki 11⅛ 90	75	105	−0⅛	8.94
Kinder-Care Int 6¼ 98	50	128⅞	+9⅞	96.40
Lorimar-Telepics 6 01	100	88⅞	−1⅞	97.22
Westpac Banking 12⅞ 92 31/1/90	111⅞		−0⅛	9.79
Weyerhaeuser 11½ 90 15/11/87	105⅛		−0⅛	7.35

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on May 29.

UK COMPANY NEWS

Graham motors to the USM with 30% share placing

BY ALICE RAWSTHORN

THE USM will gain a rare recuit from the motor industry when the Graham Motor Group—which is involved with car retailing, fleet sales and contract hire—goes public in mid-July.

Graham operates franchises for several motor manufacturers—including Jaguar Daimler, Ford, Austin Rover, and Peugeot Talbot—in the north west of England. It is going public in order to accelerate its expansion through both organic growth and by acquisition.

The company was formed in the 1920s by Mr Arthur Graham, together with his brother, Armstrong. It began by servicing cars and later diversified into sales. Graham survived the motor industry recession of the 1970s and has expanded in the 1980s to offer a comprehensive motor dealing, fleet sales and contract hire service.

Although in recent years the motor trade has been hit by the parallel problems of overcapacity and fierce discounting, Graham has succeeded in improving profitability. The company attributes this to its strategy of operating a multi-franchise network and thereby offering a choice to its fleet sales and contract hire customers.

In its last financial year, to March 31, Graham produced pre-tax profits of £1.73m on turnover of £52m, increases of 50 per cent and 25 per cent respectively on the previous year.

For the placing the company will issue 30 per cent of its equity on an historic p/e of around 10. Barclays de Zoete Wedd will sponsor the issue.

Half of the proceeds of the placing will be ploughed back into the company. This capital will be used to boost Graham's expansion, to refurbish existing premises and to facilitate future growth by acquisition.

Marston Thompson rises 12% to £11.43m

Marston, Thompson & Evershed, the regional brewer well known for its "Pedigree" beer, has announced pre-tax profits ahead 12 per cent to £11.43m on sales up £2.6m to £72.2m for the year to March 28 1987.

The brewer's directors are recommending a final dividend of 1.77p (1.54p), making a total of 2.55p (2.24p) for the year on earnings per share of 8.32p (7.34p).

Trading profits were £14.25m (£12.85m) out of which depreciation took £2.97m (£2.69m) and the company's share ownership scheme £226,000 (£201,000). Pre-tax profits were struck after gains from property disposals of £332,000 (£206,000).

In a statement, Marston said that retail sales through its 850 tied houses and many free trade outlets in the North West, North Wales, Midlands and Southern areas had advanced significantly. Sales of lager rose only marginally while ale generally fell slightly. However, sales of draught Pedigree showed strong growth.

The current year started well although early gains were eroded by "abysmal weather during June."

Tuskar buying Ardmore

BY LUCY KELLAWAY

Tuskar Resources has agreed to buy for about I£8.2m (£7.45m) Ardmore Petroleum, a fellow Irish oil exploration company, in a deal that will nearly double the company's size

The all-share offer comes less than two months after Ardmore joined the Third Market with a value of I£6.6m, and it is likely to be the first takeover that the new junior market has seen.

Tuskar said that the enlarged group would be better placed to grow in to a "substantial oil company," and that the current state of the oil market provided opportunities for growth for sound companies. Following the deal, Tuskar will have I£5m in cash.

Most of Ardmore's oil acreage is onshore Turkey and offshore Ireland, whereas Tuskar's interests are in Ireland, the UK and the US. Ardmore is also involved in Irish gold exploration.

As a part of the deal, Silvermines, which owns 29.8 per cent of Ardmore and 5.9 per cent of Tuskar, has given Tuskar the option to buy its 24.7 per cent royalty interest in the producing Kinsale Head gas field, and its 12.35 per cent stake in the Marathon Royalty in the Celtic Sea.

BOARD MEETINGS

TODAY

Interims: Blue Arrow, Clyde Blowers, Hawthorn Leslie, Theme Holdings, Wilding Office Equipment.

Finals: Bogod-Pelegraph, Campbell and Armstrong, A. Cohen, Dowty, J. England, Illingworth Morris, [illegible], Lynton Property and Reversionary, Rotaprint, VSEL Consortium.§

FUTURE DATES

Interims:

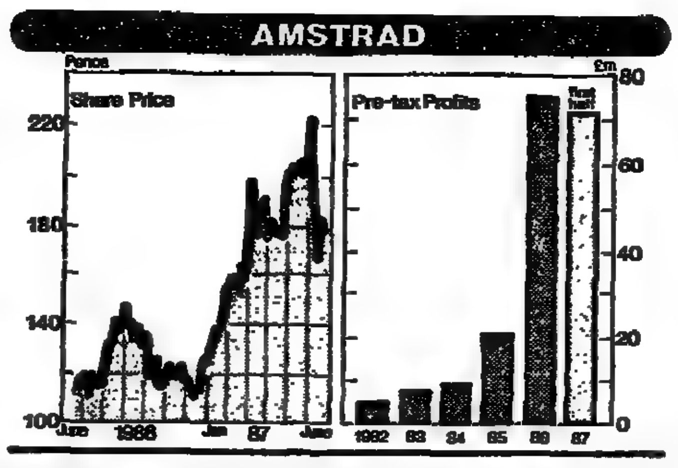
Phoenix Prop and Finance	July 3
Yelverton Investments	July 1

Finals:

Birmingham Mint	July 6
Davy Corporation	July 2
Fashion and General Invest	July 1
Hampton Trust	July 2

David Thomas on the launch of Amstrad's latest model

Sugar programmed more carefully



MR ALAN SUGAR, the high profile chairman of Amstrad, consumer electronics group, is unlikely to repeat a mistake he made last September when he launches his new personal computer range tomorrow.

Back in September, when Mr Sugar unveiled his first business personal computer—the low-cost PC1512—he was drawn by the hype surrounding the launch into extremely ambitious sales forecasts: Amstrad's initial production run of 70,000 a month would rise to more than 100,000 if sales in the US went well.

Those figures have been an albatross round Mr Sugar's neck ever since. For, although UK demand for the machines was strong, sales fell far short of the publicly announced targets, according to market research groups.

Romtec, one of these groups, said Amstrad accounted for 39 per cent of personal computers sold in the UK in the first quarter of the year—comfortably above International Business Machines, the US computer giant, in second place with 20.4 per cent.

But when translated into units, Amstrad had sold "only" 48,000 machines in the first quarter, according to Romtec: Amstrad was way below its own target.

What might have been considered a triumph—jumping to the top of the UK personal computer league within three months of launch — suddenly seemed a disappointment.

The story was similar on the Continent. Amstrad has been selling about 15,000 machines a month there, mainly in France, West Germany and Spain, according to Intelligent Electronics, a Paris-based market research group.

"This is good in terms of the personal computer business, but bad in terms of Amstrad's ambitious plans," the group says.

When these figures started circulating in the City last month, Amstrad's share price went into a nose-dive from which it has only recently recovered.

Stung by this experience, Mr Sugar will not talk about unit sales now at all. He says he is happy with the machine's reception both in Britain and on the Continent and that his plans had anticipated the recent decline in sales which always hits personal computers in the summer.

Yet Mr Sugar admits to one disappointment: the failure of the PC1512 to penetrate the computer departments of large companies. Most of the machines have been bought by small businessmen and professionals.

Amstrad believes the new range, to be announced tomorrow, will fill that gap: called the PC1640, it will have higher quality graphics, better resolution screen and more memory than the existing range for an extra cost ranging from about 12-29 per cent, depending on the model.

"We've now overcome the final criticisms voiced of our machine by the corporate market—especially the need for enhanced graphics," Mr Sugar says.

An exclusive preview of the PC1640 by Mr Alan Fraser, a senior data processing manager at Ciba-Geigy, to be published in next month's PC User magazine, comparing the Amstrad machine to the latest IBM personal computer, concludes: "I would have no hesitation in recommending the machine in favour of the IBM PS/2 Model 30 for corporate purchases."

Although Amstrad's two ranges will overlap in their target customers, particularly at the small business end, Mr Sugar argues they will also have distinctive niches.

The new range will sell into large companies; the older range will increasingly be viewed as a machine for home use by professionals and businessmen.

Computer analysts are divided about Amstrad's new personal computer strategy. "There are two distinct markets and it's entirely valid to aim different products at them. Amstrad's two ranges seem sufficiently different for the two sectors," says Mr Michael Birch, a London analyst with International Data Corporation, a US-based market research consultancy.

Mr Marek Vaygelt at Romtec is less sure. He believes Amstrad will still struggle to get the new range into computer departments and that the PC1512 may be too expensive to sell in large volumes into the home.

Whichever view turns out correct will have a crucial bearing on Amstrad's figures in 1987-88. Analysts are now forecasting pre-tax profits in the range £150-£180m for next year.

These are up from their forecasts of about £135m for this financial year, which in Amstrad's case ends tomorrow—but not the dramatic increase registered by Amstrad in recent years.

The bout of nervousness in the City does not depend solely on revised views about sales of the PC1512. Old doubts about Amstrad surfaced: it is a one-product company, run by one man—and a man who does not bothr to observe the niceties expected in the City.

Mr Sugar stresses that Amstrad is more than a personal computer company by talking about the other products he has up his sleeve.

A new version of the Amstrad word processor, one of the company's runaway successes when it was launched in 1985, will be unveiled in September. It will have printing of typewriter quality, Mr Sugar says.

He wants to boost his sales abroad, which accounted for 57 per cent of turnover last year, though he stresses he is approaching the US, a notorious trip-wire for UK computer companies, cautiously.

Except in France and Hong Kong, where Amstrad has subsidiaries, the company has operated abroad through arms-length distributors, thereby minimising its exposure. But it may set up other subsidiaries in some European countries in a bid to increase its sales.

It has started selling video recorders in Spain and France, and intends to follow suit in Italy, Scandinavia and Greece. It hopes to sell 25,000 videos a month on the Continent, more than it sells in Britain.

Next year, Mr Sugar says, he will be making a big push in combined TV-videos, which explains his dramatic, though fleeting attempt to intervene in the sale of Thorn EMI's Ferguson television subsidiary to Thomson of France, earlier this month.

The restless Mr Sugar is likely to have other surprises in store, though he has dropped his previous notion of moving into the white goods area. He is even considering doing more manufacturing in Europe, now that manufacturing in the Far East is less attractive, thanks to rising currencies.

But whether Mr Sugar likes it or not, Amstrad will be judged primarily on the success of his new personal computer. That is why reaction to the launch tomorrow will determine the future of a company whose growth has been one of the phenomena of the 1980s.

BA hires Royal Albert Hall for meeting

IN ANTICIPATION of a large number of shareholders turning up for the first annual meeting today of British Airways since privatisation earlier this year, the airline has hired the Royal Albert Hall in London for the occasion, and is deploying 150 of its staff to handle the crowds.

The airline's report and accounts have already been published, showing pre-tax profits of £162m in the year to March 31 last, against £195m in the previous year, with a dividend declared of 4.116p per share, payable on July 31.

Apart from the board of BA, headed by Lord King, chairman, and Sir Colin Marshall, chief executive, the airline says that a team of managers will be on hand to answer any queries from shareholders about the airline.

Even more, a reservations facility will be available for anybody wishing to make a flight booking at the meeting.

Many BA staff who are shareholders, as well as many who are not employed by the airline, are expected to attend, and BA is making a video of the occasion for those whose duties prevent them attending.

The meeting will provide a unique occasion for BA staff to quiz the top management on a wide range of issues to which they cannot gain direct answers through their trades unions or other working relationships.

Such issues are likely to include the current state of the UK and world air transport business, future employment levels, and proposed re-equipment programmes.

Jefferson Smurfit sees I£62m for first half

First-half pre-tax profits of Jefferson Smurfit Group, Dublin paper and packaging concern, were likely to be about I£62m (£56.4m) or slightly in excess of the I£60m achieved for the whole of 1986, the chairman told the annual meeting.

The company had enjoyed a strong recovery in both pricing and volume since the start of the year in most mainstream activities. Prices in both linerboard and newsprint would be materially higher during the second half.

The chairman said the group was going to have an outstanding year and confidence now extended into 1988.

Stonehill suspended

Shares in Stonehill Holdings, the furniture company, were suspended at 87p on Friday, after the company said that talks which may have led to an offer for the company have been terminated.

Instead, it has agreed in principle to proposals involving a recapitalisation and changes in the management structure.

FT Share Information

Airship Inds. (Section: Engineering)
Allegheny (Americans)
Amerceeur Energy (Third Market)
Bond Media (Leisure)
Chemoxy Intl. (Chemicals)
Croesus Mining (Mines, Australian)
Heywood Williams Cnm. Conv. Red. Prf. (Buildings)
Rolls-Royce (Engineering)

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
ASDA-MFI	July 21	Final 1.9
Birmid Qualcast	July 1	Interim 1.25
Britoil	July 25	Interim 2.0
*Davy Corp	July 2	Final 3.7
Dee Corp.	July 29	Final 4.4
Dixons	July 16	Final due
*Dowty	July 29	Final 3.2
*Ferranti	July 1	Final 1.16
GUS	July 23	Final 14.0
Lex Service	July 31	Interim 4.1
*Lloyds Bank	July 24	Interim 6.25
Midland Bk	July 31	Interim 11.5
*NatWest	July 28	Interim 7.0
Rank Organisation	July 17	Interim 6.25
Reuters	July 28	Interim 1.75
*Rothschild (J.)	July 1	Final 12.8
*Scot and Newcstl Breweries	July 6	Final 4.82
Thorn EMI	July 10	Final 12.5

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

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UK COMPANY NEWS

WA Tyzack urges rejection of 'back door' bid attempt

BY STEVEN BUTLER

W. A. Tyzack, the Sheffield engineering group, has launched an appeal to shareholders to reject what it describes as a back-door takeover attempt by a group of shareholders who hold 28.5 per cent of the company.

The shareholders, comprising Quail Investment, Eastwood Anglo European Investments, *the trustees of Sir John Eastwood*, Quarius Investments, are attempting to elect three representatives to the Tyzack board and unseat the current chairman, Mr William Dacombe.

In a letter to shareholders on Saturday, Tyzack described proposals put forth by the group as "completely irrelevant" to Tyzack's success, and urged rejection at an extraordinary general meeting.

The Tyzack board said that Quail had no track record of *success in running a company* like Tyzack, and had not revealed any specific proposals for the management of Tyzack. It further defended its own record of returning Tyzack to profitability and outlined a strategy based on recent acquisitions.

"Our concern is underlined by the complete lack of knowledge as to the course of action which would be *followed* if Quail and its associates gained control," said the letter.

Tyzack has offered Mr Ewan Launder of Quail a position as non-executive director, but the offer was not accepted, and Mr Bill Eastwood has been proposed as chairman.

Tyzack says the proposals constitute an attempt to obtain control of the company without making a bid, "thus avoiding the price of making a full offer under the City Code.

B & C buys stake in Export Network

BY DAVID LASCELLES IN HAMBURG

British & Commonwealth, the financial services group, has bought a 40 per cent stake in Export Network, a computerised database which supplies information about export *opportunities. The cost of the stake was £500,000.*

The investment marks a return by the group to online databases: it previously owned Telerate and Finsbury Data Services.

Mr John Gunn, B&C chairman, said he believed Export Network would rapidly become a major data and trading network for the UK export industry.

Export Network was founded by Mr Roy Assersohn, its managing director. The chairman is Mr Jim Wilks, former chief executive of the British Overseas Trade Board.

The company claims to be the first comprehensive and computerised information and trading network designed specifically to meet the needs of UK exporters.

Explaura poised for Newfoundland venture

Laying a foundation with limestone

BY PHILIP COGGAN

AN IRRESISTIBLE force is due to meet *an immovable object* next month—when the public's enthusiasm for new issues runs up against an offer for sale from a sector that has a dismally uninspiring record — USM greenfield ventures.

Not that greenfield is a particularly apt term to describe **Explaura Holdings**, which has literally, if not metaphorically, rock-solid prospects—an estimated 1.2 billion tons of limestone to be precise, waiting to be quarried off the west coast of Newfoundland.

Explaura has undergone a series of incarnations over the last 15 years, including that of a tea producer in Sri Lanka and a Spanish gold explorer, but its recent history dates back to when *Newfoundland Resources* & Mining reversed into the company in December 1985.

NRM which, as Newfoundland Colonisation and Mining, was incorporated nearly 100 years ago, had a long-standing interest in the quarry at Lower Cove Bay. But it was only in May this year that it received permission from the Canadian government to exploit the site.

Under the offer, the company plans to raise around £5m to fund the cost of constructing an open pit quarry, together with a processing plant and a *shiploading facility*. The rest of the funding will be provided by a C$13m (£6m) secured loan from the Canadian government.

Explaura believes that because the limestone, which is widely used in construction projects, will be transported via sea rather than land, it will be able to supply a whole range of customers on the eastern *American seaboard and offer* very competitive prices.

As a business project, it all seems very plausible, but as a stock market flotation, it is a much more tricky proposition.

How does one put a price on the shares? The company has no track record, or at least no record relating to the Newfoundland project. Those figures *that it has produced*, which relate to its old interests, are *unimpressive—the pre-tax loss* for 1986 was £339,000.

Nor can the company make a forecast about future earnings —profits will not flow from *Newfoundland* till 1989. So the share price cannot be tied to a price/earnings ratio, historic or prospective.

Placing an asset value on the company is just as difficult. What value can one put on 1.2bn tons of limestone, which will be mined at a rate of 4m tons a year starting in two years' time?

By estimating future cash flows and discounting them back at 12 per cent per annum, Robertson and Associates, part of the Coopers and Lybrand group, puts a value on the project of C$64m (£30m). But *changing the assumptions to* 8m tons a year and an 8 per cent discount rate and the value could be as much as C$124m (£57m).

'As a business project, it all seems very plausible, but as a stock market flotation, it is a more tricky proposition'

The problems of Henry Ansbacher and CGS Securities who are bringing Explaura to the market are exacerbated by the generally unhappy record of USM greenfield companies. *Nimslo International, the 3-D* camera company which joined the market in 1981, only struggled into profit for the first time last year and that was with the help of an exceptional item.

Bio-Isolates, the company which produces protein from cheese whey, has made repeated losses since it came to the market in 1982, and *only recently* required its second refinancing *package.*

They, at least, have survived but Hesketh Motorcycles and IO Technology were two start-ups with high hopes which ended in liquidation.

Given past disappointments, the pricing of Explaura will need to be conservative, and indications are it will be given a market value of between £25-£30m (below Robertson's lower estimates) with a share price set at 25-30p, compared with the 43p at which the shares have been trading under Rule 535(5), the Stock Exchange's forum for exploration stocks.

The USM's upper limit for placings is £5m, but the company could have adjusted the figures to take it below the limit. The fact that it did not, and chose instead an offer for sale indicates a hope that the public will be as enthusiastic as they were about the USM's *only other offer this year, Sock* Shop.

Will the issue appeal? Explaura is a more than usually speculative investment and as an overseas company, it could also be subject to the "cookie factor" which provoked a dismal response to the offer for Mrs Fields, the US biscuit company, last year.

Mrs Fields suffered partly because its reasons for coming to London seemed unconvincing, and Explaura can only offer the UK's broader market as its rationale. But in these post-Big Bang, international equity days, the idea of a Canadian company joining the London market may not seem so bizarre.

One plus factor is that the *directors*, led by Mr David Finch, the chairman, and including Mr Pat Rhatigan, of the USM shell company Property Trust, are not selling.

However, the issue defies conventional analysis and although the upside potential could be substantial, it will probably attract only hardened punters with nerves of lime*stone.*

Westwood Dawes

Shares of Westwood Dawes, *the mechanical handling* engineer, have been relisted. The shares were suspended on April 6, pending completion of the acquisition of Hugh J. O'Neill, the Canadian engineering parts supplier that is a subsidiary of Mining and Allied Investment.

Benlox

Benlox has acceptances amounting to 46 per cent of the issued shares of Nolton, for which it has made a general *offer.* This was incorrectly stated as 36 per cent in Saturday's paper.

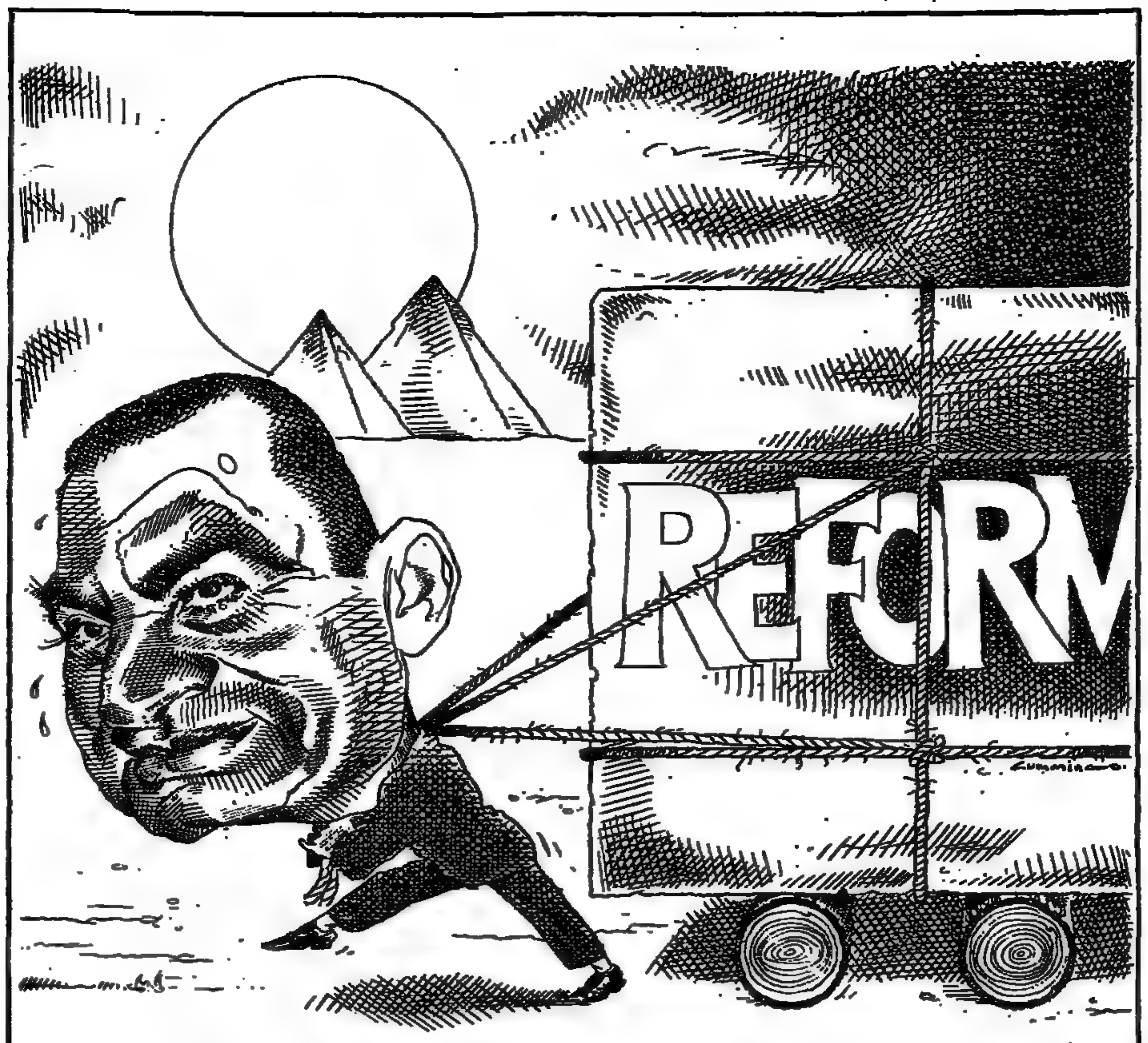
FINANCIAL TIMES STOCK INDICES

	June 26	June 25	June 24	June 23	June 22	June 19	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	90.68	90.91	91.07	90.55	90.59	91.16	93.32	84.49	127.4	49.18
Fixed Interest	97.36	97.59	98.07	97.91	98.03	98.50	99.12	90.23	150.4	50.53
Ordinary	1790.7	1772.5	1773.4	1751.6	1737.0	1758.0	1801.7	1320.2	1801.7	49.4
Gold Mines	376.2	375.9	373.6	364.1	376.7	390.1	485.0	288.2	734.7	43.5
FT-Act All Share	1151.76	1143.83	1145.57	1136.17	1127.96	1137.25	1158.35	835.48	1158.35	61.92
FT-SE 100	2291.3	2277.2	2284.0	2265.5	2244.6	2266.1	2320.4	1674.5	2320.4	986.9

FINANCIAL TIMES SURVEY

The policy of consensus that President Mubarak has adopted in treading a careful path between competing elements in society is now being criticised as lacking in assertiveness. He needs to confront some of the sacred cows bedevilling the administration, such as an entrenched bureaucracy, says

Tony Walker



Egypt

CONTENTS

Breathing space for Mubarak

"WE HAVE been given," said the Egyptian official, "a substantial breathing space." While some may dispute the extent to which pressures on Egypt have been eased after its recent agreement with the International Monetary Fund (IMF) and subsequent rescheduling of part of its foreign debt, there is no doubt that economic circumstances are a little better.

Last year was a calamitous one. Oil revenues collapsed, tourism was down, and so, too, were earnings from the Suez Canal. Egypt, which was having difficulty in any case paying *instalments on its foreign debt* of about US$40bn, was close to default.

Its problems were compounded by ineffectual political management; the Government was riven by disagreement; decision making, never a strong point of Egyptian administrations, almost came to a halt.

The appointment in November of a new Prime Minister coincided with an apparent improvement in the *functioning* of the Government and a slight lift in Egypt's economic fortunes. Oil prices firmed in the first quarter of 1987, tourism rebounded and earnings from the Suez Canal were up.

Egypt concluded a crucial agreement with the IMF in May after several years of often difficult negotiations. While the size of the IMF assistance programme was modest, its real value lay in the encouragement it gave to Egypt's creditors to reschedule a portion of its foreign debt.

The flexible IMF programme required Egypt to reduce substantially demand in the economy and to begin tackling some of its outstanding structural problems such as its tangled system of explicit and implicit *subsidies which cost the Government* about US$6bn a year.

The successful conclusion to the IMF negotiation appears to have injected more sense of purpose into the Administration. Most observers believe that it is proving more responsive to Egypt's many problems, including an unwieldy public sector and an over-dependence on imported foodstuffs.

But as always with Egypt, the question is whether a policy of gradualism is appropriate or whether shock-treatment may not be more in order given the dimension of the many problems facing the country, not least of these being the population explosion.

President Hosni Mubarak himself is, by nature, a gradualist. Since assuming the presidency on the assassination of the late Anwar Sadat in 1981, he has steered a careful course between competing elements in society, embracing where possible a policy of consensus.

Influential Egyptians argue that as Mr Mubarak approaches the beginning of his second term (there is little doubt he will be re-elected to a second six-year term this year) that he should be more assertive: that a plodding approach is no longer appropriate.

Pressures seem certain to increase on the President to confront some of the sacred cows of the Egyptian system such as an entrenched and unresponsive bureaucracy. Critics suggest that the Presidency itself is an institutional bureaucracy and that this sets the tone for the rest of the Administration.

People would like Mr Mubarak, a former air force commander with a reputation for caution, to be more innovative, but question whether this is possible given the constraints of background, temperament and the circumstances under which he inherited the Presidency spattered with Mr Sadat's blood and lying on the floor of a military reviewing stand.

Recent violent incidents in Cairo in which gunmen attempted to assassinate a former interior minister, the head of US security, and a prominent left-wing newspaper editor are worrying the authorities and may well reinforce the tendency towards caution in the Administration.

Moslem fundamentalists are believed to be responsible for two of the incidents: the attacks on the former interior minister and on the newspaper editor.

The authorities made hundreds, perhaps thousands of arrests, in an effort to find the culprits, but this scattergun approach merely gave the impression that the police had little idea who was responsible. Mass arrests may be part of traditional security practice in Egypt, but such an approach runs the risk of further radicalising a specific group in *society*.

A continuing debate within ruling circles in Egypt is over the correct response to the challenge of fundamentalism. The Government has opted for a carrot and stick approach. It *encourages on the one hand the* mainstream Moslem Brotherhood to participate in the system and on the other confronts religious extremists.

The dilemma for the authorities is how to distinguish between *the Islamic main*stream and fringe elements. If there is a continuing pattern of violent incidents such as those we have witnessed recently, the Government will find itself under greater pressure to crack down on the Islamic tendency with possible negative consequences for Egypt's democratic experiment.

A noticeable trend in the past two years has been the nagging incidence of violence in Cairo and in the cities and towns of Upper Egypt where the religious right is entrenched. These persistent incidents seem to indicate a wider malaise.

Mr Mubarak has pinned his hopes of containing a restless population, including a large number of unemployed graduates, on encouraging a wider participation in the political process and on a free press.

It is a credit to him that news*papers in Egypt operate under* fewer restrictions than those in any other Arab country with the possible exception of Lebanon where special circumstances prevail. Egypt's human rights record, while not blameless, compares favourably with those of surrounding states.

Elections held in April for the People's Assembly resulted in a predictable overwhelming victory for Mr Mubarak's National Democratic Party, but at the same time opposition groups, including the Moslem Brotherhood, strengthened their representation.

This completed government strategy of drawing various political groups into the *national debate*.

Mr Mubarak's main immediate problems, apart from the continuing dilemma of what to do about fundamentalism, appears to be inflation and unemployment. Both pose a threat to stability. Jobs for young Egyptians are at a premium. Employment creation should be an absolute priority of the Administration.

Price increases of 20 per cent *to 25 per cent in the past year* are causing unhappiness. Officials claim that the surge in prices has peaked and the rate of increase will start to drop. This remains to be seen. Egyptians, especially the 30 per cent *to 40 per cent at or near the* poverty line, would be sceptical about such claims.

A new trend in Egyptian foreign policy has become apparent in the first half of this year. Egypt has, since the meeting of the *Islamic conference* organisation in Kuwait in January, appeared more assertive.

This was seen in recent criticism of Syria over various regional issues such as its support of Iran in the Gulf war, and in the swift decision to close Palestine Liberation Organisation offices in Egypt after a resolution of the PLO's Algerian summit criticising the peace treaty with Israel.

The past year has marked Egypt's further move back towards the Arab mainstream. Nervousness among Gulf states about Iran has encouraged them to draw closer to Egypt, the predominant Arab military power.

This has had economic benefits. Kuwait and Saudi Arabia have provided funds at critical moments in the past 12 months, helping to keep Egypt afloat pending a rescheduling of its foreign debt.

Egypt has been active in the search for a formula that would shift the Middle East peace process from its present stalemate, but has not met with success. Prospects for the next 12 months are for a further period of eco*nomic consolidation* and little change in the external environment. Egypt has been awarded a breathing space by its friends in the West, but this is no more than a temporary reprieve.

Further reforms of Egypt's economic structure are necessary if it is to capitalise on recent good fortune. The long haul has only just begun.

Foreign investment

US leads in joint venture commitments

TWO YEARS after the Egyptian Government chose from a number of suitors General Motors of the US, as its prospective partner for a major motor assembly joint venture, finalisation of the deal still seems far away.

With the associated satellite components *plants envisaged*, involving possibly over a dozen other companies total investment could reach, it was calculated, as much as $1bn. That would make it not only the most significant economic benefit gained by the country since Law No: 43 of 1974 aimed at stimulating foreign investment was passed *but also the biggest* single industrial project following the completion of the Soviet-built Helwan Steel and Iron complex in the late 1960s.

Until March 31 1987 a total investment of £E7.35bn ($5.4bn) at the old commercial bank rate which applied to investment inflows) had been approved, according *to statistics recently released* by the General Authority for Investment and Free Zones. No figures were available for money actually committed and disburbed.

Some 65 per cent of projects approved were said to be in operation and 53 per cent of inland industrial projects (as opposed to free zones where investment has been largely in storage facilities). The bulk of *capital—69 per cent—relating* to approvals was Egyption with 14 per cent from other Arab countries and 17 per cent from elsewhere. Foreign capital and especially associated Western technology has proved an important catalyst in mobilising domestic savings.

Approval for the General Misr Car Company as the *GM* project is known was given a year ago. It provides for the establishment *of an enterprise owned 30 per* cent by GM, 30 per cent by the Nasr Automotive Manufacturing Company, and 40 per cent by other local investors including the Misr Development Bank and the Export Development Bank of Egypt.

A certain reticence surrounds the status of the negotiations. They are understood to be continuing on a revised, scaled-down proposal for the initial output of 31,000 small- and medium-sized passenger cars incorporating kits imported from GM's Opel subsidiary in West Germany which will rise to 91,000 in the middle of the next *decade*.

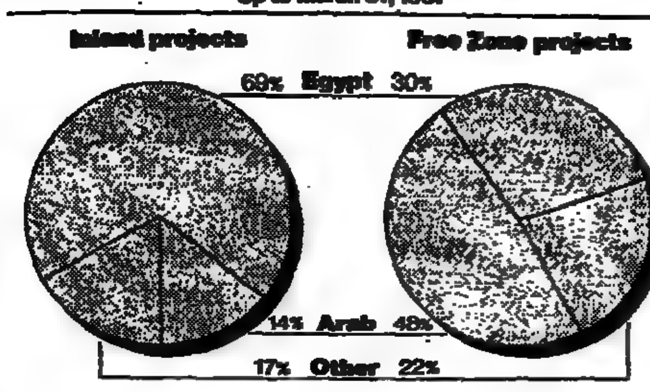
Part of the overall objective is that the feeder industries would eventually *feed GM's loss-making* European operations. GM has recently reaffirmed its com*mitment to the project* and the US Government would clearly like to see it proceed as part of its general strategy of helping to consolidate a liberal, prosperous economy in Egypt conducive to stability.

"The project has economic parameters but also political parameters which could influence decision-making." Mr Abou Backr Zeitnoub, deputy general-manager of EDBE, comments somewhat cryptically.

One of the economic problems *would relate to the weakening* of the dollar against the D-Mark and another the depreciation of the Egyptian pound against the dollar. GM already has experience of these particular problems.

Invested capital participation

Up to March 31, 1987



Source: General Authority for Investment and Free Zones

In 1985 with a 30 per cent stake in a joint venture with Isuzu of Japan, which it partly owns, and Egyptian, Saudi and Kuwaiti investors it started the production of *light* and medium-sized trucks at 6 October City. But because the appreciation of *the yen and the increased cost* of Isuzu kits the company had to raise prices by 60 per cent.

As a result, despite a protected market, it sold only 6,000 of the vehicles, little more than *two-thirds of projected sales*. Nevertheless, *the operation* is believed to have broken even in the last quarter of 1986.

The company is *planning* to import bodies from Ikarus of Hungary to fit onto the Isuzu chassis to manufacture small buses.

Notwithstanding the foreign exchange problem talks between Suzuki of Japan and the Modern Motor Company of Cairo on the assembly of pick-up trucks and vans are continuing but have not been finalised. B. F. Goodrich, meanwhile, *is in contention* with Pirelli to partner the state-owned Transport and Engineering Company in the construction of a tyre plant with a capacity of 350,000 annually.

Joint venture commitments by US companies outnumber those from other industrialised countries — collectively. The number rose from 26 to 30 over the last year and accounted for an investment of $210m. Although *the rate of investment* has been declining, several American joint ventures have recently increased their capital and expanded.

Eveready admits to having *reconsidered* its investment decision taken in 1980 a couple of *times during the early years* but since then has twice increased its capacity and is now exporting. So are American Standard Company (bathroom ceramics fittings) and Xerox has also expanded.

Initially Chloride of the UK (car batteries) is understood to have faced formidable problems, largely caused by a flood of cheap imports from South Korea, during the early days of its partnership but now seems to have settled the problems. The only other British company to have entered into a point manufacturing investment of significance is United Scientific Holdings with its stake in Arab Optronics, a joint venture with the Ministry of Defence manufacturing gun site and related *equipment*, a project with *definite* potential.

Over the past year the Government has shown a new, if belated, sense of realism in its approach to foreign investors and a determination to cut the entanglement of red tape.

Richard Johns

Projects approved

To March 31, 1987, £E(million)

Sectors	Number of Projects	Invested Capital	Investment Costs
Inland projects:			
Industrial	580	2,404	6,381
Financial	257	1,746	1,966
Agricultural	107	351	766
Construction	193	649	1,382
Service sector	220	1,275	2,735
Sub total	1,357	6,425	13,230
Free Zone:			
Cairo	44	492	522
Alexandria	104	291	481
Port Said	83	87	110
Suez	36	56	68
Sub total	267	926	1,181
Grand total	1,624	7,351	14,411

Source: General Authority for Investment and Free Zones.

Economy

A long and hard haul fraught with tension

President Mubarak (right) and Prime Minister Sidki during one of their meetings on the state of the economy

FINAL AGREEMENT last month with the International Monetary Fund on a stand-by credit and an *economic stabilisation* programme after protracted, tortuous talks has given Egypt essential breathing space to recover from the verge of bankruptcy. The terms of the deal are probably as soft and generous as any ever conceded by the Fund.

Egypt has much to thank the *persuasions of Western creditors*—not the least the US—in their anxiety to see political stability maintained and a peace treaty with Israel fortified, the diplomacy of President Hosni Mubarak, and the patient *negotiating skills of Mr Atef Sidki's* Government.

In the face of a potentially *explosive political situation* Egypt's sympathisers presumably reminded the Fund of a previous austerity package prescribed in an era of greater economic buoyancy which resulted in the bread riots in January 1977 and a subsequent reneging on commitments to the IMF.

As it is, achievement of the objectives set will involve painful belt-tightening by a people which has already seen its purchasing power badly eroded over the past year. Chances are that the 5.8 per cent growth target projected in the 1987/8-1991-2 five-year development plan could also be seriously affected.

Reform and recovery along the lines agreed with the IMF will be a long and hard haul fraught with tension and the danger that under popular pressure Egypt might default again as it did a decade ago. Yet, faced with the country's debt servicing ratio of over 50 per cent and a growing shortage of foreign exchange President Mubarak had little choice but to accept the basis programme. Inevitably, the process will be one of *haba haba*, or "little by little" in the Egyptian vernacular.

Egypt missed a golden opportunity to put its house in *order in the late 1970s and the* first years of this decade when healthy balance of payments surpluses were recorded. Fortunes struck rock bottom last year as net proceeds from oil fell from US$2.63bn in 1985 to $656m, tourism sagged as a result of terrorism in the region and expatriate remittances declined.

Only earnings from the other vital service *sector*, the Suez Canal, held up well increasing to over $1bn. As it sets about the reform programme external factors are *much more favourable* to Egypt. Indications are that the trade balance has improved as imports—wheat, sugar, tea and cooking oil—have become cheaper while the value of the long-staple crop has improved.

The need for a gradualist approach is accepted by the IMF providing that progress—subject to quarterly review—is made with due precision on two basic objectives relating to deficit financing and monetary growth. It has not, for instance, insisted on any strict schedule *for reducing the massive subsidy* bill which over the years has eaten up an ever larger *proportion* of the budget and increasingly distorted the economy.

For their part President Mubarak and his key ministers appear to be convinced of the necessity for profound structural changes *of the kind insisted* upon by the IMF and World Bank if in the long term there is to be any *solution of the country's* daunting economic problems, especially the fundamental one posed by explosive population growth and Egypt's limited cultivatable area.

Indeed, measures associated with the programme have been applied on a piece-meal basis for nearly a year now. Last July a start on the reform of the multiple exchange rate system was made when public sector entities fortunate enough to secure dollars were required to pay a premium over and above the now largely defunct "commercial bank" rate.

Last year prices of electricity, petrol, kerosene and public transport fares were raised while subsidies on some essential goods and ration entitlements were reduced. The decisions were phased in line with the *haba haba* approach but their combined effect has been a painful increase in the cost of living at a time of rising inflation.

Agreement with the IMF made available a standby credit of SDR 250m ($325m) which can be drawn on in 12 equal tranches monthly from July 1. It compares with the $1bn originally sought and is, of course, negligible in itself in relation to the kind of balance of payments support required. But it has cleared the way for the rapidly concluded accord with the Club of Paris on rescheduling of government guaranteed debt.

The actual amount remains secret (probably very much less than the figure of $10bn quoted by Egyptian officials) but over the coming year will considerably *ease* the debt burden.

The agreement—to be finalised in bilateral negotiations—*consolidates outstanding principle* and interest, including delay increments, at end-1986, plus what would have fallen in due in the 18-month period until mid-1988. Repayments are to be spread over 10 years and a five-year grace period has been granted.

Moreover, it is understood that on conclusion of bilateral talks $700m of new finance will become available for 1987. At the same time, Egypt's $4.6bn military debt to the US is being rescheduled at market interest *rates giving effective relief of* about $900m in payments.

Egypt's arms debt to the Soviet *Union estimated at $2bn*, on which President Sadat suspended payments in *1977*, has also been rescheduled on generous terms with obligations to be settled over 25 years with a six-year grace period and, according to press reports, interest waived. That should open the way for the supply of spare parts for Russian military equipment still in service and the refurbishment of *industrial plants* built in the 1960s with Moscow's aid.

Despite the relief gained, *Egypt's overall debt still looks* horrendous. Its medium- and long-term debt, including government-guaranteed loans, had reached about $34bn at the end of the fiscal year 1985-86 (ending June 30). Short-term obligations then amounted to $4.7bn. Arrears amounted to $4.3bn.

The total, which a further accumulation of arrears, must now total in excess of $40bn, does not include the Soviet military debts. Suppliers credits outstanding amounted to about $8bn a year ago. Currently, Egypt is about 20 months behind on payments in respect *of* them.

Another benefit accruing from the IMF accord should be a substantial increase in funds available from the World Bank. As it is, loans worth $345m long approved for construction, small- and medium-scale and export-orientated industries are awaiting disbursement.

The World Bank is understood to be ready to lend at a rate of $800m-$1bn annually though basically at a commercial rate. Egypt is blessed with offers of concessionary finance. For the next five-year period the European Community is offering Ecu 449m nearly twice as much as the last one, 45 per cent in grant form and the rest in loans from the European Investment Bank at subsidised interest rates.

One of Egypt's binding commitments to the IMF is to reduce its fiscal deficit from the 15 per cent projected in the 1986/7 budget to 13 per cent in 1987/8 with the aim of eventually phasing it out altogether though no time-table has been set for its total elimination. The other very *much related one* is to restrict monetary expansion severely.

The exact limit set remains a closely guarded secret. The IMF gave way, however, on its demand for a unification of exchange rates within a year and conceded an 18-month period. It also modified its original insistance on raising interest rates to the level of inflation.

In the year up to April it ran at 26 per cent, according to the outdated and inadequate urban consumer price index. But in practice, the rate is reckoned to be no less than 30 per cent for *all* but the poorest people subsisting largely on subsidised goods.

The *exchange rate reform* announced on May 11 is aimed at capturing for the banking system the maximum possible of expatriates' remittances driving the old unofficial market—now unequivocally pronounced black—out of business or deep under ground. The market rate initially set by a committee of bankers at US$1 = E£2.165-2.170—will apply to all approved private sector imports and probably about half of public sector enterprises' requirements.

The *old commercial rate* will be used for the rest of the latter as well as for calculating customs duties. It remains to be seen how effective it will be. The omission of any allowance for hard currency needed for the *Hajj* (pilgrimage to mecca), legitimate business travel or education bills abroad may well result in the black market reappearing either domestically or off-shore. Many bankers believe the pound should have been fully floated.

More *urgently the Government* faces the formidable task of cutting the fiscal deficit *financed by borrowing* from the banking system. For 1986-7 it was projected at E£ 780m, less than 4 per cent of expenditure. In the past no final accounts showing their extent had been published.

In recent years, *however*, actual deficits are believed to have been two to three times higher than those *budgeted*. They would more or less have been accounted for by direct expenditure on *subsidies* on essential items which amounted to E£ 2.8bn in 1984-5, the last year for which an official figure is available.

Deficit financing, together with the depreciation of the pound on the free market during the past two years, have been the basic cause of inflation and a major contributor to money supply. In 1986, money supply (M2) increased by 20 per cent following an 18 per cent rise in 1985.

The outline of the budget for 1987-8 *recently presented to the* National Assembly envisages expenditure of E£ 23bn, a 5.7 per cent increase on the level projected for 1986-7. The allocation for salaries of state employees has been raised by E£ 700m, or 18 per cent, to E£ 4.5bn to compensate for price increases.

Total investment appropriations have been cut by nearly 22 per cent to E£ 5.8bn. In his presentation *Dr Atef Sidki*, the Prime Minister, suggested that more efficient tax could yield an extra *E£ 6.4bn-7.5bn*. The Government is taking care that remedial action does not hurt the 30-40 *per cent of the population* close to the poverty line. But the middle classes look as though they will be further squeezed.

Austerity involved in the stabilisation programme seems bound to affect implementation of the 1987/8-1991-2 development plan—which has yet to be published—and the provision of job opportunities for around 400,000 people each year seeking to join a labour force of 12m, many of whom are grossly under-employed.

The Government is looking to the private sector for E£ 18m, 38 per cent of total investment projected at E£ 46.5bn and nearly twice as much as the amount expected from it in the previous five years. Certainly, the private sector has the resources to fulfil such a role and much has been done to improve the environment for it.

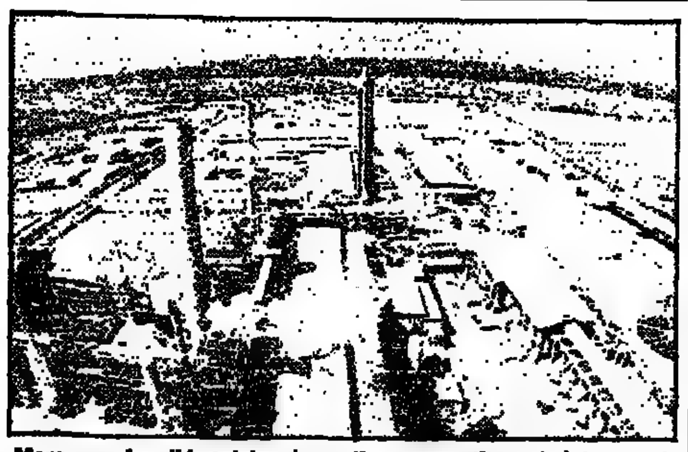
But the Government may be over-optimistic in its expectation that savings can be mobilised on the scale required.

Richard Johns

EGYPT 3

Energy

Important oil province found in Western Desert



More uses for oil but rising domestic consumption cuts into exports

RECENTLY REVISED estimates of Egypt's proven oil reserves and its rate of domestic consumption indicate that it will remain a net exporter until the late 1990s. This is a slightly more promising forecast than those being made two years ago when the rate of increase in domestic consumption exceeded 10 per cent annually.

But realisation that in about 10 years Egypt, on the basis of proven oil reserves of about 4.2bn barrels and expected modest additions to that figure annually, will have little surplus for export is putting a premium on the speedy development of Egypt's gas resources as a domestic substitute for oil.

The World Bank, in a recent study of the Egyptian economy, urged that a "major effort" be undertaken to capitalise on Egypt's "considerable and highly valuable natural gas resources."

"To the extent of its availability, natural gas can substitute in domestic consumption for other forms of energy, particularly fuel oil, kerosene and LPG," the report said.

"The more natural gas is used for domestic needs the more Egypt's petroleum—in the form of crude and refined products—can be used to earn or save foreign exchange."

Egypt's gas reserves are estimated at about 10 trillion cubic feet (TCF). A study compiled by a foreign consultant and quoted by the Word Bank estimated that an additional 20 TCF could be found over the next 20 years, giving an ultimate reserve of 30 TCF.

Egypt's daily production of gas is small: 575m standard cubic feet mainly from its Abu Madi, Abu Qir and Abu Gharadiq fields, and from the Gulf of Suez gathering scheme. It equals 97,868 barrels of oil per day worth annually about US$600m at today's oil prices.

The Egyptian General Petroleum Corporation (EGPC) is now actively encouraging foreign companies to explore for gas and to participate in the development of gas fields. An *important step* was the initialling earlier this year of a gas agreement with Shell Winning (a subsidiary of Royal Dutch Shell) to exploit its Western Desert bed-3 gas discovery.

This agreement broadly divides profit on an 80-20 basis between EGPC and the foreign partner. The gas price will be keyed to the international price for fuel oil with a 15 per cent *discount for Egypt's investment in the national grid.*

The EGPC-Shell Winning agreement is regarded as a model for other gas contracts. EGPC is also negotiating gas agreements with Amoco for the development of its West Qarun field in the Western Desert, 180 kilometres west of Cairo.

Another gas agreement pending is with a consortium headed by Egyptian oil company (IEOC), a subsidiary of ENI of Italy which has a concession with British Petroleum and Marathon Oil of the US in the Nile delta.

The Shell Winning agreement took about two years to complete. *Shell had to overcome a* major barrier which was the official Egyptian view that gas was a resource that should be developed by national organisations.

Indeed, all concession agreements before 1980 included a standard article 27 that if gas was discovered and not exported, it became totally the Government's property. This provided no incentive for foreign companies either to explore for gas or to develop gas found coincidentally while exploring for oil.

In 1980, the first "gas clause" was drawn up which provided a legal framework for compensating exploration companies for expenditures related to natural gas discoveries, but it provided little incentive for companies to invest in natural gas.

Shell plans to invest US$250m, constructing a 270 kilometres 20-inch gas pipeline from its bed-3 gas field to El-Amerya, the industrial area of Alexandria. It expects to be supplying gas late in 1990 at the rate of 80m cubic feet rising in two years to 150m cf.

Mr Salah Hafez, a vice chairman of EGPC in charge of agreements and exploration, said it was hoped that oil companies would regard the Shell agreement *as a suitable model.* He said that a gas sales agreement still required some "fine tuning."

Mr Tarek Heggy, deputy general manager of Shell Winning, noted in an article in EGPC's house magazine that quite substantial gas discoveries have been made in spite of there being little incentive for companies to explore for gas.

"All gas fields in Egypt were discovered coincidentally while drilling for oil," he wrote. "... if oil companies have with regard to gas the equivalent to the present incentive in exploring for oil, increasing Egypt's gas production by 400 per cent or 500 or even 800 per cent is undoubtedly a very valid assumption."

The World Bank study urged that Egypt commit necessary *resources to extending its* national pipeline grid. It currently has about 2,000 kilometres for gas. EGPC estimated that a further 1,700 kilometres will be required to complete a national grid capable of transferring production from surplus to deficit areas.

Egypt's new five-year plan (1987-88—1991-92) commits additional resources to exten*ding the national grid, but this* investment falls short of requirements and a truly national grid is not in prospect within the plan period.

Egypt's oil export revenues *slumped in 1986 to a net figure* of about US$700m compared with US$2.6bn the year before. This was attributable to the collapse of the oil market and to a sluggish marketing effort by EGPC. The state oil company was invariably behind the market in posting competitive prices.

The picture has improved considerably this year. Net oil export receipts will exceed *US$1bn.*

Egyptian Oil Minister Abdel Hady Qandil said recently that the oil sector planned production this coming fiscal year (July 1987-June 1988) of 44m tons. Egypt's share would be 28m tons and that of foreign partners 16m tons.

An important new development this year was EGPC's approval of new oil production-sharing concession agreements covering onshore and offshore acreage in the Gulf of Suez.

British Petroleum, Royal Dutch Shell, Amoco and IEOC signed agreements for the new Gulf of Suez concessions. Attention is now turning to the Western Desert where EGPC will announce soon production sharing agreements for seven blocs.

The Western Desert is shaping up as a fairly important new oil province with production this year expected to reach 60,000 barrels a day.

The Western Desert is still under-explored. "We believe many small discoveries will be made," Mr Hafez said, "and with the existence of the pipeline (from Meleiha south of Mersa Matruh to Hamra 160 kilometres away on the Mediterranean coast), and low cost of developing onshore, these factors will be equivalent to making a big discovery in the Gulf of Suez."

Tony Walker

Output of Gas

('000 metric tons)

Natural Gas	1986	1985
Abu Madi	1,655	1,267
Abu al-Gharadiq/ Badr al-Din	843	921
Abu Qir	1,211	979
Gulf of Suez	564	558
Sinai	33	8
Total	4,306	3,733

Industry

Challenge to private sector

HELCOMETALS IS a small, family-owned company with a turnover of a few million pounds producing high quality stainless steel tableware at a plant on the road from central Cairo and Heliopolis. Not the least interesting aspect of the enterprise is the fact that it was established by Mr Mohammed Awad, an engineer in 1961, during the darkest days of the Nasserite nationalisation programme.

It could be seen as an indomitable example of Egyptian *entrepreneurial spirit* which was largely stifled or forced into exile by heavy-handed socialism and the domination of the industrial sector by the state. The plant is now run by his son, Mr Osama Awad, a graduate in economics from Cairo University and in marketing from Illinois State.

The founder runs an old facility in the same line of business once owned by Prestige and purchased in 1981 from Orida of the US after it had taken over the UK company.

Having started with a workforce of 25, Helcometals now employs 150 people and exports 20 per cent of its output. It had secured contracts to supply the big hotel chains established in Egypt—for their requirements in the region as well as the country itself—before its produce became one of 210 items prohibited for export when the tariff system was reformed and rationalised in August.

The Awads do not enjoy a monopoly because they face competition from a plant run by the *military industries* organisation, a significant business empire which is far more efficient than the rest of public sector industry.

Helcometals may be fairly *exceptional in having started in* the early days of Nasserite socialism and survived it. But since the liberalisation of policy in 1974 the response of the private sector to the challenge of satisfying what was until three years ago a rapidly expanding market has not been unimpressive even after taking into account the incentives given.

Now the private sector has been set the challenge of undertaking main responsibility for achieving an annual growth rate for the sector of 7.2 per cent targeted for the 1987-8/1991-2 five-year plan with the *emphasis on small and medium-*scale projects.

Recent and reliable data on the sector is scant. Last year the World Bank estimated that private industrial investment increased from 4 per cent of the total to 24 per cent in 1982 and its share of value added from 17 per cent to 32 per cent.

The private sector now accounts for about one-third of output compared with rather less than a quarter in 1974, according to other authoritative estimates. But the public sector under the control of the General Organisation for Industrialisation still predominates heavily in the main processing activities of spinning and weaving, engineering and *metallurgy to* the extent of more than 75 per cent.

In the first three years of the five year plan just ending, industry grew by nearly 10 per cent annually with a comparable increase in value added. Food processing expanded especially fast — by nearly a third. Performance was stimulated by domestic demand, which steadily out-stripped growth in gross domestic product and a considerable degree of import protection — at the expense of industrial exports and distortions, particularly in agro-business development.

Over the past few years there has been a progressive marked slowdown primarily because of shortage of foreign exchange. Enterprises generating exports and foreign exchange, which *they can use to finance imports* of in-puts and raw materials, have fared better.

They include the two large state-owned metallurgical plants — Helwab Iron and Steel and *Misr Aluminium — as well* as textile companies.

El Nasr Automotive Company, one of the biggest public sector concerns, has suffered its right to its limited supplies on the local market for hard currency. As it is, capacity of many public sector companies is said to be in the 30 to 50 per cent range.

Egypt's heavily over-manned high-cost state industries made a net profit of only E£126m on a turn-over of E£6.42bn in 1984-5, a rate of less than 2 per cent, the latest year for which statistics are available. Of a total of 117 companies with manpower of just over 600,000 83 made combined profits of E£268m while the rest recorded a loss of E£142m.

The performance was an improvement on the two pre*vious years when there were net* losses of E£96m and E£35m. A large proportion of the public sector industry built up in the Nasser era does not have any comparative advantage such as chemicals, metals and transport equipment.

For the foreseeable future it will be politically and *socially* impossible to shed surplus labour except through natural wastage. Nevertheless the Government has little choice but to ensure that maximum capacity is achieved, a *task bedevilled by* poor middle management, low saleries and lack of incentives.

The debt rescheduling agreement reached with Moscow in March clears the way for *refurbishment of heavy indust*rial plants built with Soviet aid in the 1960s.

The Government appears to have accepted the view that future development should con*centrate on industries* where Egypt has a comparative advantage, in particular textiles and food processing which have the greatest potential. The Arab Investment Bank, a state-controlled *institution,* is directing its project identification lending policy and equity stakes to projects based as much as possible on locally available raw materials and emphasises the potential of ready-made garments.

Dr Nawal el-Tatawi, its investment director, points in particular to the success of one joint venture involving Vesta of France making men's suits and *prospects for a quality sports* clothes project.

The Development Industry Bank is giving priority to food industry. The Export Development Bank of Egypt (EDBE), *which is owned* by the National Investment Bank and the four public sector banks, started operations in 1985 under a dynamic management and by the end of the month should have approved its participation in the financing of up to 16 projects. So far it has disbursed about E£2m in investment while financing an increasing proportion of Egypt's non-traditional exports in a drive to capitalise on Egypt's cheap capable labour and geographical position.

In the private sector, investment banks like Banque Caire Barclays International have been very *active in financing* industry. Mr Alex Jablonowski, a joint managing director, says that it has financed over 80 projects and points to a number of successes involving food, cosmetics, packaging, ice cream and dairy products, and oil services.

Mr Abou Backr Zeitoun, EDBE's general manager for project finance, says: "Egypt is in a situation whereby the private sector has an excess of liquidity and a shortage of investment *opportunities.*"

He is not alone in stressing the need for better project identification and the very rudimentary nature of Egypt's capital market. Before 1939 the Cairo Stock Exchange was the sixth largest in the world. Having virtually expired, some life was breathed into it in the late 1970s.

Bonds in Egyptian pounds and dollars and stocks in the local currency, sterling and dollars are traded. But the volume of trading is still small—shares in Egyptian pounds worth only E£26m changed hands in 1985-86.

Most enterprises established since 1974 are closed companies whose shares are exchanged privately. Owners of successful concerns have no reason to place shares on the market. A real revival of the stock market would require fundamental changes in civil and corporate law, as well as removal of the 7 per cent maximum ceiling on non-bank debt.

More essentially, despite the mobilisation of private capital for industry the long shadow of Nasserism and uncertainties about the political future are still inhibitive.

For this reason investors have looked for large, quick returns of 25-30 per cent annually. With tight credit, a shortage of foreign exchange and falling purchasing power in prospect over the next few years it is difficult to see profits on this scale in the medium-term future even if optimum incentives and protection is provided.

The present plight of some *under-capitalised companies* saddled with large dollar debts incurred before the pound's depreciation can hardly act as a stimulant to risktaking at a time of economic stagnation.

Many observers believe that the best long-term reassurance the Government could give would be to embark on a policy of privatisation, a radical departure which is only gingerly being considered and would meet political as well as bureaucratic opposition.

In the medium-term, however, even such a radical confidence-building move would hardly be enough in itself to mobilise the private saving required for industrial development on the scale required.

Richard Johns

Banking and finance

Austerity causes strains

EGYPT'S VARIEGATED and somewhat fragmented banking sector has continued to show remarkable stability in the face of the country's economic stagnation over the past critical year.

The system underwent an extraordinary expansion in the boom days from 1974 to 1982 and now 41 commercial banks are licensed to take deposits where there were only four large state-owned institutions in the field a decade and a half ago. So far they have weathered the recession in the region and the fall in oil prices with rather greater aplomb and profitability than many in the Gulf which have suffered far more serious problems of bad debt.

But the sector has come under increasing strains and these are likely to become more acute in the short-term as the austerity programme agreed with the International Monetary Fund (IMF) starts to bite harder.

Despite the economic stagnation the sector enjoyed a remarkable increase in deposits last year of 41 per cent to total E£21.69bn at end 1986. That rise far exceeded the real rate of inflation.

The growth of outstanding credit was more or less in line with it with credit up 27 per cent to E£12.88bn. Most banks, however, announced reduced profits and had made more provision for bad debt.

Results for the current fiscal year (ending June 30) are likely to reflect a further squeeze. In principle, bankers have welcomed the reform of the exchange rate system, the controlled flotation of the pound and the crackdown on the black market aimed at channelling as big a proportion as possible of worker's remittances and tourist spending into the banking system.

They paid tribute to the realistic buy-sell rate of E£2.165-E£2.170 to the dollar set by the committee made up of representatives of eight banks which meets daily. Subsequently it has been adjusted to take into account what has been a very thin black market after the detention of 200 small money changers and the admonition given to half a dozen or so "fat cat" operators.

The banks can now freely trade foreign exchange and lend to finance a range of permitted imports of goods and services. What was technically a black market but a tolerated one has for the time being been outlawed. But so far there has been little sign of a surge of dollars into the banking system.

It seems that Egyptians abroad and residents at home with foreign currency in cash are waiting to see whether a black market offering a better rate of return will re-emerge. "It looks as if it will be a war of nerves lasting perhaps several months," comments one general manager recalling a more limited, less realistic and unsuccessful attempt early in 1985 to attract sufficient dollars in the commercial banks' pool to cover approved letters of credit.

In the banking community the fear is voiced that the measures, unless revised, will stimulate a significant resumption of unauthorised dealings—whatever the risks—because they do not make provision for some important requirements—notably the costs of education abroad and above all the Hajj pilgrimage to Mecca. Very much less legitimately there is the question of gratifying the widespread addiction to hashish.

There is also a clear danger that a more substantial portion of Egyptians' earnings overseas will be diverted elswhere by the controversial Islamic investment companies through their agents in the Gulf to finance speculative dealings abroad.

Immediately, however, the most serious criticism of the reform is the lack of any allowance for borrowers struggling to repay and service old dollar loans amounting to an estimated $2bn. They have been severely hit by the depreciation of the Egyptian pound and constitute the major headache for the banks, especially the foreign branches licensed only to deal in foreign currencies.

Under the regulations, credit in foreign currency can only be made available for new loans. At the same time, the banks were faced in April with the instruction that the increase in lending should be limited to only 2.5 per cent over the end-1984 level — an increment many of them had already exceeded.

The squeeze on lending has been considerably tightened by the requirement that letters of credit now must be 100 per cent covered, 35 per cent on application and with the balance on opening them.

In a related move banks were required to swap 3 per cent of their foreign currency in exchange for pounds from the central banks thus increasing its pool of dollars which finances imports of essential commodities. As it is, bankers express reservations about advancing any hard currency loans to clients whose revenue is in pounds.

Foreign exchange deposits of the private sector totalling about $10bn remain largely unexploited in Egypt itself for this reason. Banks are required to deposit 15 per cent of their foreign exchange deposits with the central bank and earn Libor rates of interest from them. But they received nothing from the 25 per cent of non-term pound deposits which they have to place with the monetary authority.

Meanwhile, the instruction dating back to 1981 not to lend more than 65 per cent of deposits remains in force.

For foreign branches trade financing has long ceased to be a lucrative business and project lending is generally a much too risky activity to contemplate. Pressure on the central bank to permit them to deal in Egyptian pounds for a unification of the system has been of no avail.

Their difficulties were highlighted earlier this year by Lloyds' decision to close its Alexandria office and Cairo retail branch. At the same time Credit Suisse has been frustrated in its effort to form a joint venture.

This month, Chase Manhattan reached agreement on the sale of its 49 per cent joint venture with the National Bank of Egypt to its partner Bank of America is trying to divest itself of its 40 per cent share in Misr American International Bank.

In terms of assets the scene is still dominated by the big four public sector banks—National Bank of Egypt, Banque du Caire, Banque Misr and Bank of Alexandria—which currently share as much as three quarters of the market and handle most of the business of the public sector entities. No one, however, suggests that Egypt is over-banked.

Among the new creations of the "open door" policy to have made a particular mark are Chase National Bank, Delta Bank, Nile Bank and Suez Canal Bank. There is some confusion about the extent of bad debt, a definition in Egypt which does not include, once they are rolled over or rescheduled, what would elsewhere be called non-performing loans.

The central bank says that provisions made by various banks in respect of bad debt are in the 1 to 3 per cent range. In practice, though, Egyptian banks do not make provisions until they have obtained a court order giving them tax exemption in respect of them.

Dr Ali Negm, who was governor of the central bank until late last year and now heads the Arab International Bank, estimates bad debt at 5 per cent.

Commercial banks have been cushioned by a comfortable margin between interest rates paid for deposits and those charged for credit. With savings in a range of 5 to 13 per cent (E£100,000 over 10 years) Dr Negm calculates the average at 11 per cent, though some foreign bankers reckon it is much lower.

Islamic banking has taken root to the extent that some ordinary commercial houses like Banque Misr have opened branches operating according to its principles.

The most successful has been the Feisal Islamic Bank of Egypt. In addition the Islamic International Bank has emerged as a significant force. The authorities have not discouraged their development but they have received no concessions in terms of reserve requirements and tax.

Islamic investment companies are a different and disturbing phenomenon operating outside the control of the central bank. Higher dividends paid by them of 20 per cent or more generated partly or largely by speculation in gold, foreign exchange and commodities may have attracted 15-20 per cent of total deposits. But the savers—for the most part people of relatively low income—receive no protection.

Commercial bankers are sceptical whether the Islamic investment companies can sustain such higher earnings, even suggesting that some of the results have been achieved by "pyramiding." It is illegal for these institutions to take deposits and participants "equity" could be regarded as the equivalent.

Last year a government decree banned the creation of new ventures of the kind but so far has been diffident about regulating the existing ones.

Two of them, the Al Helal and Sherif groups, have been active in investment money in productive sectors in Egypt. But the others are clearly not benefiting the economic development and may be exposing savings to great risk.

Richard Johns

Self-sufficiency Ratios of Key Foods

	Production	Imports	Consumption	Production percentage of Consumption
	1986			
		(000 metric tons)		
Wheat	1,929	6,857	8,786	22
Corn	3,900	2,028	5,928	66
Rice	1,330	—	1,330	100
Beans	282	—	282	100
Lentils	14	15	29	48
Sugar	905	850	1,755	52
Veg Oil	161	474	635	34
Chicken	110	65	175	63
Beef	396	131	527	75

Source: US Department of Agriculture

Agriculture

Farmers given extra incentives

PERHAPS NO other sector of the Egyptian economy has performed quite as disappointingly as agriculture in the past decade. Short-sighted pricing and quota policies have contributed to poor results.

That may be changing with the introduction last year of a new three-year World Bank sponsored reform plan that aims to increase incentives to farmers and to remove gradually quota restrictions.

Dr Hassan Ketr, an under-secretary in the agriculture ministry, said that quotas had been abolished except for cotton, sugar and 50 per cent of rice. Prices are gradually being de-controlled.

Between 1986 and 1988, Dr Ketr said, the Government would move towards deregulation in agriculture. In this period prices for government-procured export commodities such as rice and cotton will be brought into line with those available on the world market. At the same time, the Government was introducing a parallel policy of reducing subsidies on inputs such as fertilisers and machinery.

The Government's immediate aim, he said, is to stop the "food gap" widening. Egypt imports more than 50 per cent of foodstuffs. Its wheat imports total about 75 per cent of requirements.

According to Dr Ketr, Egypt's agricultural production registered a 2.9 per cent growth rate last year compared with a population increase of about 2.7 per cent. He attributed the improved performance in 1986 (average agricultural growth rates value added in the past five years have been about 2.5 per cent) to better utilisation of existing resources and the development of new forms of food production such as aquaculture.

A measure of the poor performance of the agricultural sector is the fact that agriculture's share in real GDP fell from 29 per cent in 1974 to an estimated 17 per cent in 1984-85.

While agriculture remains the largest sector of the economy, both in its contribution to GDP and in employment, its sluggish performance in the face of a rapidly increasing population has resulted in the agricultural trade balance moving from a surplus of about $300m in the mid-1970s into a deficit of about US$3bn by the early 1980s.

Dr Ketr said that the Government was giving particular attention to increasing sugar production to reduce Egypt's dependence on imports. In 1986 it imported about half its requirements of 1.75m tonnes.

Egypt's average production was 40 tons per feddan (one feddan equals 1.04 acres or 0.43 hectare), but had fallen to 33 tons a feddan due to crop diseases. It was reasonable, Dr Ketr said, to expect a rise in productivity.

In the five year plan 1987-88—1991-92, the Government, Dr Ketre said, intended to interfere less in agriculture, give more emphasis to private sector investment which was expected to triple that of the previous plan, and enhance opportunities for people to buy and develop new land.

Land reclamation is a priority of the new plan. The Government hopes that disappointing results in developing new desert land for agriculture will be reversed, utilising experience gained. About 1m feddans has been reclaimed in the past 20 years, but only about half has

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Bureaucracy is as difficult to change as the course of the Nile

Red tape blunts the scissors

BUREAUCRACY in Egypt, perhaps more than most places, is a synonym for waste, inefficiency and obduracy. Everyone complains about it from the President down.

Until recently, little was done to reform the bureaucracy itself and, allied to it, public sector industry in spite of volumes of critical reports by international agencies and by the Egyptian authorities.

A cumbersome administrative structure weighs heavily on attempts at even minimal changes to the Egyptian system of government. Reforming the bureaucracy was assumed to be as difficult as changing the course of the Nile.

The Government has now embarked on a reform programme that appears better funded and more specifically directed than past efforts. Its aim is twofold: to improve the quality of service to the public and to produce better trained and motivated managers in both the bureaucracy and public sector industry.

The programme, being carried out under the auspices of Dr Atef Ebeid, Minister of Cabinet Affairs, is probably just as important to Egypt's development as are attempts to reduce the birthrate. There are formidable obstacles in the way of both tasks.

Dr Ebeid has formed new units to give a push to bureaucratic reform and to provide training for managers of public sector industry which was identified by a recent report of an outside consultant to his department as being in "urgent need of improving productivity, freeing itself as much as possible from bureaucracy and inherited structures, from constant government intervention, and from being an instrument for implementing non-commercial goals."

Dr Khaled Sherif, an under-secretary in Dr Ebeid's department, said that a primary task of bureaucratic reforms was to improve relations between the Government and public. There was a need, he said, to "minimise friction."

His group, known as the Centre of Administrative and Management Development (CAMD), is establishing pilot programmes to reform offices dealing directly with the public such as those issuing driving licences and the post office.

Dr Sherif has made a modest start. His section has established a model post office and is in the process of streamlining car registration procedures. For Egyptian motorists, registering a car is something of a nightmare. One of the problems, apart from the many seemingly unnecessary procedures, is that information is kept in dusty files that often prove difficult to locate.

Dr Sherif expects that within two years traffic offices will be computerised and that cumbersome procedures will be a thing of the past. He explained that the reason reforms were not being introduced more quickly was because "people here don't believe in outbursts of going out and fixing something."

A second major target of bureaucratic reform is the *mugamma*, meaning "the complex." Egypt's bureaucratic headquarters on Cairo's central Tahrir Square where thousands of officials deal with passports, birth certificates and other documents in a slow-moving manner that appears guaranteed to create maximum friction with the public.

One of Dr Sherif's projects is to create a new civil service college to help train managers and to create the necessary skills for the introduction of automation in the bureaucracy. The Government is providing E£6m US$2.76m to help establish the college. US aid has allocated US$11m for the task.

It will offer residential programmes at an establishment at Ismalia on the Suez Canal, east of Cairo, and is expected to open in early 1988.

Another measure towards improving the quality of the bureaucracy is the setting up of a "management development programme" which will offer courses for top managers in such skills as marketing, finance and accounting. US aid has aldready contributed US$4m and is proposing to contribute a further US$16m.

Apart from improving services to the public, the Government is also anxious to introduce greater efficiencies in public sector industry which made an E£230m loss last year. One reason for the losses, according to Dr Sherif, is inertia.

Managers are trapped in a bureacratic straitjacket which prevents them running their enterprises according to commercial principles. "The Government," Dr Sherif said, "wants to decentralise management but feels that before it can decentralise, it has to upgrade management skills."

The Government has selected the food processing sector as the first candidate for a pilot programme to improve management techniques. This is considered a vital sector because it directly affects the public and is one where publicly-owned enterprises have been losing out to an aggressive private sector.

Three public sector food processing companies have been selected for pilot decentralisation programmes where individual management will be given more flexibility, more capital and where necessary, existing management will be replaced.

Companies selected for this pilot programme include Bisco Misr which manufactures snack foods and is regarded as a successful public sector enterprise, Misrdairy which is failing badly in the face of private sector competition and the El Nasr bottling company (bottlers of Coca Cola) which is encountering difficulties.

The United Nations is also weighing in with assistance to improve the functioning of Egypt's bureaucracy. It is contributing US$6m to help provide minister's offices with up to date information retrieval systems.

Dr Sherif said one of the bureaucracy's main problems, apart from overmanning, was the basis on which promotions were granted. These were judged almost exclusively on seniority.

While Egypt's government departments have a rating system of individual performance, assessments are virtually meaningless because of a tendency of superiors to give those under them the highest rating whatever their level of competence.

Thus in 1986, the central agency for organisation and administration, which has the task of helping to administer the whole bureaucracy, rated 92 per cent of its staff in the 'excellent' category.

Dr Atef Ebeid wants to introduce new criteria for promotion to push forward younger managers to help create a more competitive environment.

An enemy of bureaucratic reform is the huge numbers of graduates waiting for employment under a government commitment that it will provide jobs for all those graduating from university.

But increasingly Egyptians inside and outside the bureaucracy are questioning whether the country can afford the burden of a bloated civil service that is often obstructive and is certainly a drain on resources.

Tony Walker

Tourism

Currency fall brings surge of visitors

"I DO believe that tourism is one of the few industries where Egypt enjoys a comparative advantage. It has not been properly tested in the past."

Dr Fouad Sultan, Minister of Tourism and Civil Aviation, presides over one of the bright spots of the Egyptian economy. It has shown impressive growth this year and prospects are good.

Dr Sultan, a former investment banker, took over as Minister about 18 months ago at a *time when tourism* was in the doldrums after a spate of Middle East terrorism frightened visitors away from countries in the eastern Mediterranean.

In 1986, his first year as Minister, numbers of visitors dropped by about 14 per cent compared with the year before. There was a 62 per cent reduction in the numbers of Americans visiting Egypt, a catastrophe for hotels and tour operators.

But in the first five months of this year, tourism has rebounded. Numbers of new arrivals are up 35 per cent on the corresponding period last year. Visitors are also staying longer, reversing a trend towards short stays.

Dr Sultan said that the average stay of visitors had increased from six to 11 nights, leading to an overall increase of tourist nights between January and April of about 125 per cent compared with the same period last year.

He said that this reflected the success of a marketing campaign to persuade people that Egypt has more to offer than simply archaeological sites such as the Pyramids: it also has a good climate and some of the *finest beaches* and coral reefs in the world. Hotel occupancy rates have shot up this year after a bleak 1986. Rates are *now running* on average about 75 per cent.

The surge in tourism to Egypt *is partly the result of a depreciation* in the value of the Egyptian pound. The pound has slid about 30 per cent in the past year against the US dollar which itself has depreciated sharply against other major currencies.

Dr Sultan's other main objective, apart from selling Egypt as a holiday destination, is to encourage new investment in the tourism sector. In this, he is something of a trendsetter.

At the risk of incurring the wrath of the left in Egypt, Dr Sultan has promoted privatisation policies that have more than once got him into difficulties with entrenched public sector interests. He has, for example, encouraged a process of privatisation in the hotel sector.

This has involved handing over the management of some of Egypt's grand historic hotels to international chains in exchange for undertakings that these groups will invest in upgrading the hotels. The response has been good.

Egypt Hotels Company (EHC), which is under the Ministry of Tourism, has signed agreements with a number of management groups to take over hotels such as Shepheard's in Cairo, The Palestine in Alexandria and the Cataract at Aswan.

Mr Bahieddin Nasr, chairman of ETC said that losses on 18 public sector hotels under his control totalled E£6.3m (US $2.9m) in 1986. He hopes that these hotels will be in profit by 1988 under new international management.

Dr Sultan, as a pilot scheme, is selling one public sector hotel to the private sector: the Sheraton Hurghada on the Red Sea, 500 kilometres south-east of Cairo is being sold to a group of Egyptian and Arab investors brought together by the Misr Iran Development Bank (MIDB).

The book value of the hotel is E£15m. As a condition of the sale the purchasers are obliged to double the hotel's capacity from 120 to 250 rooms.

Proceeds from the sale, Dr Sultan said, would be used to help develop new tourist sites. He noted that because of Egypt's budgetary problems, his ministry was obliged where *possible to generate its own* revenues.

Dr Sultan said his decision "to open the skies" to charter flights had contributed to increased numbers of visitors to Egypt. Foreign airline operators were now flying tourists into the main tourist sites such as Hurghada and Luxor in Upper Egypt.

Fears on the part of Egyptair that its share of the market would be squeezed have not been realised, the minister said. On the contrary, Egyptair's average load factor in 1986 had increased to about 60 per cent.

Another battle fought and won by Dr Sultan was to award the contract in a competitive tender for the duty free shops at *Cairo's new international* terminal to a British company against strong opposition from Egyptair, which runs the duty free shops at the old terminal.

He also has plans to engage an international caterer to service foreign airlines. His department has prepared a feasibility study on a new catering service and he expected that within a few weeks an announcement would be made.

"We cannot accept the continuation of the monopolistic situation on account of the national carrier," he said.

Dr Sultan and senior officials in his ministry said that government efforts in recent years to improve Egypt's infrastructure such as new roads had provided a good basis for the growth of tourism.

Mr Sayed Moussa, first undersecretary in the ministry, said that a campaign of "stressing the diversity of tourist attractions" in Egypt was proving successful as an alternative to the "eternally classical package" of Cairo, Luxor and Aswan."

The main priority of this five-year plan (1987-88—1991-92) was to encourage a trend towards promoting Egypt as a recreational destination and as a suitable place for conferences.

Mr Moussa said there was a slowdown in investment in tourism in the past two years, partly because many projects begun in the late 1970s and early 1980s had been completed.

He expected that in the next few years there would be a fresh surge of investment to take advantage of an expected steady increase in tourists. It is hoped *that there will be about* 1.6m visitors to Egypt this year.

The Government believes that tourists will top 2.5m in the next five years, generating some US$2.5bn in income.

Tourism revenues through the banking system totalled just E£309.5m in 1986 compared with E£338.3m the year before. This amounts to only about one-third of tourist receipts as the bulk of funds was traded on the black market.

That situation has changed with the introduction of new foreign-exchange regulations, including a more realistic official rate for the pound. Tourist receipts through official channels will show a big increase this year.

Tony Walker

Five centres to be developed

EGYPT IS planning new tourist developments in what the tourism ministry decribes as five virgin areas, separate from the main tourist *sites in Upper Egypt* and near Cairo. These are North and South Sinai, the north-west coast near Mersa Matruh, the Red Sea coast near Hurghada and the New Valley in the Western Desert where there are a string of oases. This fits in with Egypt's plans to diversify its tourist attractions from traditional archaeological sites to those offering broader recreational possibilities.

1—SOUTH SINAI: The Government is developing two areas. One stretches from Taba on the border with Israel to Nuweiba on the Gulf of Aqaba. The other centres on Sharm el Sheikh at the southern tip of the Sinai. Four holiday villages are planned on the Gulf of Aqaba between Taba and Nuweiba. A number of new projects are under way at Sharm el Sheikh, including the construction of a Hilton holiday village at Naama Bay.

2—NORTH SINAI: The Government is studying new tourist development on the Mediterranean coast east and west of El Arish. Foreign investors are being urged to put money into developing the Sinai, but they are restricted to a maximum of 49 per cent holding.

3—NEW VALLEY (Western Desert Oases): The Government plans to *start surveying* tourist prospects in the Western Desert in the middle of this year.

4—RED SEA COAST: The Government has set aside two locations south of Hurghada and is selling land there. No restrictions on the level of foreign ownership.

5—NORTH-WEST COAST: New hotel and tourist village projects are being considered.

In addition, Egypt is planning to encourage tourist development near Minya in Upper Egypt site of the tomb of Akhnaton, husband of Nefertiti. Other locations are Sohag, also in Upper Egypt, and Rosetta, on the Mediterranean east of Alexandria.

The Ministry of Tourism is also engaged in a replanning scheme for the Pyramids area which is being encroached on by new settlements spreading out towards the desert. The Government plans "more positive" restrictions on new construction in the area.

Tony Walker

Farming incentives

Continued from page 4

proved productive.

In the new plan the target is about 900,000 additional feddans which seems overly ambitious, judging by past efforts. With available water resources Egypt, according to latest estimates, is in a position to reclaim about 3m feddans of desert land, or about 40 per cent of the total *land now under cultivation* of a little more than 6m feddans, or about 4 per cent of Egypt's land area.

Egypt is reviewing legislation to encourage foreign investment in agriculture. It is planning to *offer leases of 50 years* to investors in the hope of opening a window for technology transfer and to encourage export-oriented agricultural production.

The Government is also removing ownership ceilings on new desert land and providing virgin territory at prices ranging between E£100 to E£400 depending on distance from population centres and water supplies.

One area the Government *plans to tackle head on is that of* huge areas (about one-third of arable land) given over to stock feed such as the growing of clover for red meat production. Dr Ketr said legislation was planned that would confine livestock production to new lands and at the same time increase opportunities for the private sector to import red meat to compete with domestic producers.

Foreign agricultural experts say that Egypt appears in the past year or so to have arrested the decline in its agricultural fortunes. The area under cotton, for example, has been stabilised at about one million feddans after dropping below that figure in 1985 for the first time.

In the 10 years between 1974/75 and 1984/85 there was a direct correlation between low government prices for cotton, wheat and rice and movement away from growing these crops.

In the decade, the area planted for cotton fell by more than 250,000 feddans (20 per cent), while that under wheat fell by more than 200,000 feddans (15 per cent) and rice declined by 130,000 feddans (12 per cent).

Meanwhile, the area devoted to maize rose by 85,000 feddans (5 per cent) and the area under fruit and vegetables increased by 257,000 feddans (23 per cent).

A US agricultural official said that Egypt enjoyed a comparative advantage in the production *of export crops such as fruit* and vegetables and specialist products such as perfume essence. It was important for the Government, he said, to ease restrictions on exports so that Egypt can capitalise on its advantages.

He said that a number of US companies were interested in investing in agriculture, but were concerned about complex restrictions under which they would be obliged to operate.

A continuing serious problem for Egyptian agriculture is the amount of prime agricultural land that continues to be lost to new settlement. Government decrees banning the use of soil along the Nile for use in brickmaking appear *ineffectual*.

Another problem for agriculture is availability of water. Waters in Lake Nasser are at their lowest level since the dam filled in 1978 and unless there are good rains in the main Ethiopian catchment area of the Blue Nile, water rationing may be introduced in 1988.

Egypt faces the allied problem of having less water flowing through the sluices of the Aswan high dam, reducing power generating capacity. The Egyptian Government appears belatedly to be recognising the potential serious threat of continued drought in Ethiopia.

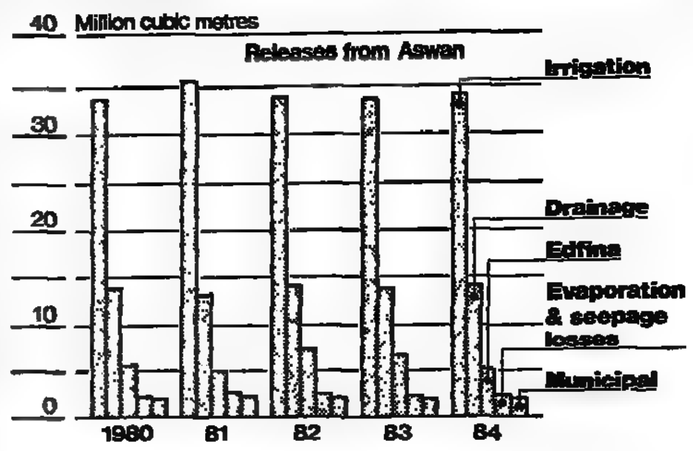
Agricultural experts say that Nile water can be used to much greater effect. Efficiency usage is only about 55 per cent which is low by any standards.

Tony Walker

Water

Fears over lean years

Water distribution



EIGHT YEARS of low flows in the river Nile have reduced the *amount of water* in Lake Nasser—Egypt's buffer against drought—from 130 cu km to 50 cu km, prompting fears for future supply if the drought persists.

The 200km long lake which stretches from Aswan to just beyond the Egypt/Sudan border, is the country's only source of water. Formed by the Aswan High dam which was built between 1963 and 1970 to impound and control the uncertain flows of the river Nile, the lake has continued to supply Egypt with water throughout the long period of Sahelian drought which has desiccated neighbouring countries.

Under the Nile Waters agreement with Sudan, Egypt extracts 55.5 cu km/year from Lake Nasser; and in recent years, the country has been able to draw 57.7 cu km to meet the increasing requirements of agriculture and population.

The Aswan High dam may not, *however, be able to guarantee* Egypt protection much longer. At present only 20 km^3 of "live storage" (water held above the minimum operating level) remains in the lake and a few more dry years could eliminate this altogether.

International scientific opinion tends to the view that the drought will continue. The available evidence appears to indicate that a permanent change in the region's climate may have been caused by higher sea temperatures in the southern hemisphere and north Indian Ocean, resulting from increased carbon dioxide in the atmosphere.

If this proves correct, Egypt will need to put contingency plans into effect. Even if it is wrong, planned development projects and a rapidly-increasing population will lead inevitably to increased demand for limited water.

Sixty-six per cent of the water taken from Lake Nasser is consumed by irrigated crops and a reduction in irrigation loss is obviously of key importance in maintaining the balance between supply and demand. Any water saved through increased efficiency would be available to open up new land for cropping, or to increase water supply to the rapidly-growing towns and cities.

Dr Sanwat Fahmi of the Nile Waters Joint Commission described measures which are being taken to conserve water and to limit waste. "Last year, a national irrigation improvement programme was started." It involves a computerised telemetry system linking 250 monitoring stations throughout the irrigation network, and gives the Ministry of Irrigation instant access to information from the field.

"Improved gate regulation and automatic outlets for the fields will ensure that the exact requirements of the farmers can be met without wastage or shortage.

"Parallel projects to recycle drainage water and to use groundwater in conjunctive use schemes in the Delta are also starting up and all these three programmes will continue throughout the new *five year* plan period and beyond."

Rehabilitation of the Esna barrage on the Nile which is currently out to tender, and improvement of locks will also help to reduce losses through the *system*. Fears for the structural safety of the Esna barrage in winter dictate that an average of 5.75m cu Km is withdrawn from Aswan during the period between October and the *following* March.

Hydrologist Terry Evans of consulting engineer, Sir M. MacDonald & Partners of Cambridge, UK, has been working with the consultants team in Cairo which is investigating the efficiency of irrigation supplies in the Old Lands for the Government and the United Nations development programme. He estimates that, once the Esna barrage is replaced, it should be possible to save 4 cu Km a year by reducing discharges at Edfina and 3 cu Km a year by recovering drainage water.

His work has involved reviewing the available evidence relating to the Sahelian drought, and assessing the effect of the drought on Lake Nasser. His studies of flow regimes of both the Blue and the White Nile during the past two decades have led him to the conclusion *that unusually high flows* in the White Nile have helped to cushion Egypt from the worst *effects of* the Sahelian drought; but that this safeguard is unlikely to continue.

The White Nile originates in Lake Victoria in Uganda and the Blue Nile in Lake Tana in the Ethiopian highlands. Both rivers converge near Khartoum in Sudan—the only riverine country with which Egypt has a water sharing agreement.

In a normal year, the Blue Nile and the river Sobat and Atbara, combine to contribute 84 per cent of the inflow into Lake Nasser at Aswan; while the White Nile contributes only 16 per cent. However, White Nile flows between 1962 and 1985 increased by 32 per cent above their *1912-61* average following very heavy rains in the Lake Victoria catchment between 1961-63 and above average rainfall since; while the Blue Nile decreased by 16 per cent. During this period, the White Nile contributed 44 per cent of the main Nile flows at Khartoum—almost three times its usual output.

Evans' studies show that a sequence of a few more dry years similar to those recorded between 1981-86 could eliminate over-year storage in Lake Nassar, and result in the lake acting solely as a regulator of annual Nile flows.

Some signs that the long drought may at last be ending are, however, reported by the Egyptian authorities.

Annette Bingham

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 26 1987					THURSDAY JUNE 25 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	132.40	+0.1	121.85	122.45	3.23	132.29	121.63	122.17	140.95	99.92	83.84
Austria (16)	85.94	+0.0	79.09	81.43	2.31	85.92	79.00	81.50	101.62	85.71	85.61
Belgium (47)	121.39	+0.3	111.71	113.45	4.20	120.97	111.23	113.21	123.62	96.19	79.85
Canada (127)	127.86	+0.3	117.67	123.37	2.36	127.44	117.17	122.73	136.17	100.00	98.55
Denmark (39)	118.29	−0.6	108.86	110.84	2.50	118.95	109.36	111.26	124.30	98.18	93.92
France (122)	106.33	+1.4	97.85	101.61	2.73	104.07	96.42	100.35	121.82	98.39	82.60
West Germany (90)	97.21	+0.6	89.46	92.28	2.02	96.60	88.81	91.80	100.33	84.00	82.75
Hong Kong (45)	119.88	+0.1	110.32	120.16	2.86	119.70	110.06	119.98	121.30	96.89	73.25
Ireland (14)	130.44	+0.5	120.04	125.21	3.57	129.76	119.30	124.76	131.86	99.50	87.82
Italy (76)	99.39	−0.1	91.46	98.20	1.85	99.52	91.50	98.26	112.11	94.76	80.02
Japan (458)	147.21	−0.2	135.48	136.09	0.50	147.54	135.65	136.44	163.28	100.00	80.38
Malaysia (36)	171.30	+0.1	157.65	166.21	2.28	171.11	157.32	166.25	172.55	98.24	87.25
Mexico (14)	250.85	+0.6	230.85	366.56	0.60	249.28	229.19	363.71	268.91	99.72	51.34
Netherland (38)	121.88	+0.6	112.17	114.20	3.86	121.14	111.38	113.84	121.88	99.65	90.07
New Zealand (27)	98.47	−0.2	90.62	88.29	3.07	98.63	90.68	89.19	100.59	83.93	73.59
Norway (24)	137.53	+0.2	126.57	124.84	2.02	137.26	126.20	124.78	140.05	100.00	100.73
Singapore (27)	145.88	+0.2	134.25	142.52	1.73	145.61	133.88	142.29	145.88	99.29	78.18
South Africa (61)	157.12	+0.2	144.59	116.45	3.54	156.80	144.17	116.21	186.74	100.00	78.04
Spain (43)	122.96	+1.2	113.15	117.60	3.34	121.54	111.75	116.38	122.96	100.00	81.66
Sweden (33)	113.74	+0.4	104.67	107.26	2.16	113.30	104.17	107.01	124.68	90.85	89.39
Switzerland (51)	99.28	+0.7	91.37	93.22	1.83	98.58	90.63	92.80	104.06	92.01	84.02
United Kingdom (335)	148.20	+0.6	136.39	136.39	3.14	147.32	135.45	135.45	151.46	99.65	100.86
USA (592)	125.70	−0.5	115.68	125.70	2.88	126.40	116.21	126.40	126.68	100.00	104.31
Europe (928)	121.59	+0.6	111.89	114.09	2.81	120.84	111.11	113.42	121.71	99.78	90.01
Pacific Basin (687)	145.62	−0.2	134.01	134.91	0.66	145.91	134.16	135.23	158.64	100.00	80.24
Euro—Pacific (1615)	136.06	+0.1	125.21	126.60	1.43	135.94	124.98	126.52	143.34	100.00	84.10
North America (719)	125.82	−0.5	115.79	125.60	2.85	126.45	116.26	126.22	126.70	100.00	104.01
World Ex. US (1817)	136.06	+0.1	125.22	131.34	1.49	135.93	124.98	131.24	143.09	100.00	84.51
World Ex. UK (2074)	130.40	−0.2	120.00	125.35	1.88	130.69	120.16	125.66	133.56	100.00	91.47
World Ex. So. Af. (2348)	131.83	−0.1	121.32	126.42	1.99	132.02	121.38	126.62	134.83	100.00	92.35
World Ex. Japan (1951)	124.76	−0.1	114.81	121.53	2.85	124.88	114.82	121.65	124.88	100.00	97.95
The World Index (2409)	131.99	−0.1	121.47	126.37	2.00	132.17	121.53	126.56	134.97	100.00	92.27

Base values: Dec 31, 1986 = 100

CONSTITUENT CHANGE: Ryan Homes has been deleted (US)

Latest prices unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 63,706

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

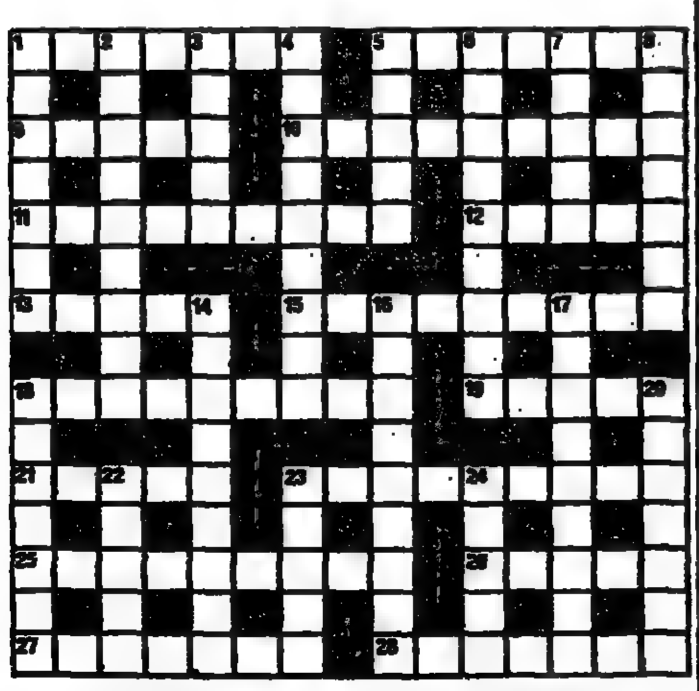
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
136	Nil	20/7	83pm	76pm	Bank Ireland cum. (Ir £1)	80pm	+2
13	Nil	—	13½pm	10pm	Blacks Leisure 2½p	12½pm	−½
35	Nil	—	23pm	19pm	Dares Estates 5p	23pm	.....
210	Nil	29/7	72pm	44pm	Hazlewood 10p	72pm	+2
170	Nil	—	73pm	70pm	Kennedy Smale	70pm	.....
11	Nil	14/8	15pm	4pm	Manton Bros. Pfd. 20p	6pm	−1
310	Nil	—	62pm	57pm	Ratners 10p	57pm	−3
—	Nil	—	43pm	38pm	Westmount Davies 12½p	38pm	.....

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ‡ Placing and offer for sale price.

FT CROSSWORD PUZZLE NO. 6,364

PROTEUS



ACROSS

1 Booked as promised (7)
5 Put out to sea when stage was clear ? (4,3)
9 Peers arrayed in dark blue (5)
10 Staff embracing mind-blowing game (9)
11 Naval engagement for sailor in American town (3,6)
12 Undertake a selfless part in support (5)
13 Managed to include journalist in defence work (5)
15 It is inspiring to be alive (9)
18 Way guides see foreigners (9)
19 Lecherous person who was a tyrant to some extent (5)
21 Run scored by one in the crowd ? (5)
23 Garbled text about man's best friend being outgoing (9)
25 He may well march on behalf of inspector (9)
26 Instruction to keep extremely quiet about girl-composer (5)
27 He comes up with cash for pioneer (7)
28 Cloth of state in preparation (7)

DOWN

1 One who reveals secrets of former model (7)
2 Teuton embarrassed about Herb (9)
3 Girl brought up by later generation (5)
4 Having society girl aboard is liable to be disputed (9)
5 One who is no gentleman for example about sponge (5)
6 Support-weapons ! (9)
7 Curses on finding hornet's head in cereal (5)
8 It may be responsible for girl's appeal on cricket field (4,3)
14 Type that is without equal (9)
16 Simple expressions in HP contract perhaps (4,5)
17 It's no secret where many golfers would like to be (2,3,4)
18 Footfalls heard on plains (7)
20 Place for religious meditation in retirement (7)
22 Everybody in France claiming right to fish (5)
23 Record transaction in forbidden territory (5)
24 In a position to act in violent attack ? (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01 280 2060

American Growth	109.3	115.6	+0.8	0.61
(Accum Units)	114.5	121.1	+0.8	0.61
British Blue Chip Fund	51.9	54.9	+0.4	2.27
(Accum Units)	51.9	54.9	+0.4	2.27
American Sm Cos Fd	52.0	55.0	+0.2	0.44
(Accum Units)	52.0	55.0	+0.2	0.44
American Income	52.3	55.3	+0.6	3.30
(Accum Units)	57.0	60.3	+0.7	3.30
European Growth	141.1	149.5	+0.3	0.71
(Accum Units)	146.1	154.5	+0.3	0.71
European Income	79.3	83.9	-0.1	3.60
(Accum Units)	83.2	88.0	-0.1	3.60
General	363.2	384.3	+1.4	1.94
(Accum Units)	603.2	638.3	+2.4	1.94
Gilt	89.4	89.8	-0.2	7.40
(Accum Units)	106.3	106.8	-0.3	7.40
Global Fund	49.8	52.6	+0.0	0.69
(Accum Units)	49.8	52.6	+0.0	0.69
High Interest Fund	47.6	50.3	-0.1	8.96
(Accum Units)	48.1	50.8	+0.0	8.96
High Income Fund	51.9	54.9	+0.2	4.78
(Accum Units)	52.4	55.4	+0.3	4.78
Income	110.5	116.4	+1.3	3.55
(Accum Units)	137.0	144.9	+1.5	3.55
International	299.7	317.1	+1.8	1.21
(Accum Units)	375.0	396.8	+2.2	1.21
Japan	219.2	231.9	-0.7	0.56
(Accum Units)	225.0	238.0	-0.8	0.56
Pacific Fd	52.3	55.3	+0.1	0.10
(Accum Units)	52.3	55.3	+0.1	0.10
Recovery	304.0	321.6	+2.0	2.09
(Accum Units)	330.5	349.7	+2.2	2.09
UK Smaller Co's Fd	51.7	54.7	+0.1	1.82
(Accum Units)	51.7	54.7	+0.1	1.82
Exempt May 27	348.1	357.0	---	2.23
(Accum Units)	545.3	559.2	---	2.23

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	61.0	64.8	+0.4	4.63
Accum Units	61.0	64.8	+0.4	4.63
UK Growth Fund Acc	62.8	66.8	+0.4	1.50
Global Income Fund	49.9	53.0	+0.2	3.77
Accum Units	49.9	53.0	+0.2	3.77
Global Growth Fund	46.5	49.5	----	0.50

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	122.2	129.6	+1.0	1.36
(Accum Units)	167.7	177.9	+1.3	1.36
Commodity & Gen.	170.9	181.3	-0.5	1.56
(Accum Units)	244.0	258.9	-0.5	1.56
European Growth	126.5	134.1	+0.7	1.10
(Accum Units)	152.6	161.8	+0.9	1.10
Extra High Inc	73.8	78.3	+0.3	6.36
(Accum Units)	89.6	95.1	+0.3	6.36
Gilt & Fxd. Int.	55.3	57.7	....	8.99
(Accum Units)	96.4	100.7		8.99
High Yield	214.7	227.7	+1.6	4.30
(Accum Units)	379.6	402.8	+2.8	4.30
Income	245.7	260.6	+1.8	2.76
(Accum Units)	411.8	436.9	+2.9	2.76
Intl High Inc UT	56.1	59.6	+0.4	1.48
Do. Accum	56.1	59.6	+0.4	1.48
Japan and Pacific	352.4	373.8	-0.6	.19
(Accum Units)	370.2	392.7	-0.7	.19
Managed Portfolio Acc	68.1	72.0	+0.4	1.65
North American	127.4	135.1	+0.5	1.35
(Accum Units)	153.8	163.2	+0.6	1.35
Smaller Cos.	196.5	208.4	+0.9	1.14
(Accum Units)	211.1	221.2	+1.0	1.14

MIM Britannia Unit Tst Mgrs Ltd (a)(c)(g)
74-78 Finsbury Pavement, London EC2A 1JD
Dealing Callfree 0800 010733.

UK Specialist Trusts				
Growth Gilt	63.5	64.8	+0.0	0.36
Smaller Companies	236.4	252.2	+2.3	0.41
Special Features	143.6	153.2	+1.6	0.56
(Accum Units)	150.7	160.7	+1.6	0.57
General Funds				
Assets & Earnings	67.4	71.9	+0.6	1.22
Accum Units	67.4	71.9	+0.6	1.22
Managed Invest Fund	65.6	70.0	+0.1	1.06
UK Growth	94.0	97.4	+0.5	0.96
High Income Funds				
Extra Income	77.6	82.8	+0.6	4.88
Gilt	26.1	27.5	+0.0	8.74
Income & Growth	288.2	307.4	+3.1	2.89
National High Income	268.1	286.0	+3.0	3.29
Preference Shares	20.2	21.5	+0.1	8.30
Sector Specialist Funds				
Commodity Shares	192.9	205.8	-0.4	0.33

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn Unit Line 0800 010345

Holborn Comm Tst.	77.8	82.3	...	0.37
Holborn Equity Income	69.6	73.6	....	3.5
Holborn Equity Tst	574.5	607.9	.....	2.22
Holborn European Tst.	113.9	120.5	.....	0.69
Holborn Gilt Tst.	215.2	224.7	...	2.12
Holborn High Inc Tst	85.0	89.9	....	4.8
Holborn Intl Grth Tst.	117.7	124.5	..	0.7
Holborn Japanese Tst.	134.6	142.2	..	0.04
Holborn N. Amer. Tst.	92.1	97.4	......	0.50
Holborn Sm Cos Tst	75.3	79.6	......	1.46
Holborn Spec Sits Tst.	98.3	104.0	....	1.4
Holborn UK Growth Tst.	114.5	121.1	......	1.55

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd.	659.1	697.5	+8.3	1.57
Quadrant Income	332.9	352.3	+3.3	4.07
Quadrant Intl. Fund	442.0	467.8	+12.0	1.07
Quadrant Spec. Sits.	428.2	453.2	+7.4	1.45

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	238.6	253.8	+1.9	2.26
Reliance Unit Tst (Inc)	163.0	173.3	+1.3	1.86
Reliance Ut Tst (Acc)	219.4	232.2	+1.5	1.86

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	49.8	52.4	+0.1	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	323.1	343.7	+1.7	.80
NC America (Acc)	352.8	375.3	+1.8	.80
NC Inc Fd.	124.8	132.7	+1.5	2.83
NC Japan Fd.	205.0	218.0	+0.2	—
NC Major UK Cos Fd.	71.6	76.1	+1.6	1.56
NC Smlr Australasian	87.8	93.3	+0.5	.48
NC Smlr Canadian CoFd.	48.4	51.4	-0.5	.99
NC Smaller Cos	229.7	244.3	+0.8	.93
NC Smaller European	191.6	203.8	+0.2	.46
NC Prop.*	155.1	169.5	.....	(z)

*Unauthorised Unit Trusts

Rowan Unit Trust Mngt. (a)
33, King William St, London EC4R 9AS 01-638 5678

Merlin June 6	604.0	632.0	---	1.15

Royal Bank of Canada Fds.
RBC Trust Managers Limited.
1, London Wall, London EC2Y 5JX. 01-600 6222

RBC Select Gwth Acc	79.5	84.5	+0.4	—
RBC Select Income	80.2	85.3	+0.1	—
RBC Select Inc Acc	82.2	87.4	+0.1	—
RBC Select N. American	52.4	55.7	+0.2	—
RBC Select Intl	54.7	58.1	+0.6	—

Royal Life Fd Mgmt Ltd
PO Box 34, Peterborough PE2 0UE. 0733 230000

Equity Trust	85.0	89.9	+0.6	1.64
International Trust	91.5	96.8	+0.3	0.93
United States Trust	39.0	41.3	+0.2	0.85
Pacific Basin	57.5	60.8	--	0.15
Gilt Trust	27.2	28.6	..	8.59
Equity Grth Accum	265.4	280.9	+2.8	0.88
Equity Growth Dist	187.4	198.4	+2.0	0.88
High Inc Accum	146.9	155.5	+1.1	1.10
High Inc Dist	121.8	128.9	+0.9	1.10
US Growth Accum	69.9	73.0	+0.5	0.84
US Growth Dist	67.3	71.3	+0.5	0.84

Royal London Unit Tst Mgrs Ltd
Royal Ldn Hse, Colchester CO1 1RA 0206 576115

American Growth	100.4	106.9	+0.1	0.65
European Growth	50.5	53.8	+0.8	0.93
Gilt Income	58.1	61.2	-0.1	8.45
High Income	113.6	120.9	+0.8	4.36
Income & Growth	136.2	144.9	+1.0	4.04
Intl. Income	64.2	68.4	+0.8	4.38
Japan Growth	121.7	129.5	-0.5	0.03
Special Sits	173.6	184.7	+1.5	0.79
UK Growth	64.1	68.2	+0.7	1.45

Royal Trust Fund Management Ltd
3, Finsbury Sq., EC2A 1RT 01-638 2433
Unit Dealing 01-638 2531

Capital Fund June 16	341.8	364.1	---	1.22
Capital Growth (z)	88.1	94.7	-0.3	1.02

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Trust Acc	31.4	33.4	+0.1	1.63
UK Equity Gth Tst Acc.	36.4	38.7	-0.1	2.90
UK Equity High Inc Inc.	35.2	37.5	.	3.27
UK Equity Gen Tst Acc	38.8	41.3		1.92
UK Equity Gen Tst Inc	34.2	36.4	-0.1	1.92
Gilt & Fxd Int Tst Inc	27.3	28.6	+0.1	6.85
Nrth Amer Tst Acc	30.4	32.4	+0.3	0.81
Far East Trust Acc	41.4	44.0	-0.2	0.00
European Trust Acc	28.0	29.8	+0.1	1.58

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	241.6	257.4	+2.5	1.00
(Accum Units)	273.0	291.5	+2.9	1.00
(Withdrawal Units)	161.1	172.1	+1.8	1.00
American Exempt Jun 16	£350.66	363.56		1.48
Australian Fund	184.0	196.0	+2.5	0.39
(Accum Units)	187.8	200.2	+2.7	0.39
British Fund	913.0	972.4	+6.0	3.53
(Accum. Units)	1,263.6	1,345.8	+5.6	3.53
European Fund	325.3	346.5	+1.2	0.39
(Accum Units)	343.2	365.0	+1.3	0.39
Japan Fund	78.8	84.0	-0.2	0.21
(Accum. Units)	79.3	84.5	-0.2	0.21
Saints PPP (May 15)	222.1	233.2	.	—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst.	558.1	590.5	+5.6	1.81
North America	66.5	70.7	+0.1	0.79
Far East	112.7	119.9	+0.1	0.00
Worldwide Bond	49.2	52.3	-0.1	6.60
Worldwide Financial	47.0	50.0	...	1.00
Worldwide Technology	47.0	50.0	.....	3.00
European	55.4	58.9		1.90
Equity Income	72.8	77.4	+0.5	3.52

Sun Life of Canada Unit Mgrs Ltd
Basingview, Basingstoke, Hants 025684 1414

UK Income Fund	36.1	38.3	+0.4	2.90
UK Growth Fund	35.3	37.5	+0.4	1.54
Worldwide Growth Fd	25.6	27.2	+0.1	1.38

Sun Life Trust Mgmt. Ltd
101, Cannon St, London EC4N 5AD 01-606 6010

Master Portfolio	33.3	35.4	+0.1	0.0
American Growth Acc.	36.8	39.1	+0.1	1.0
American Income Acc.	34.4	36.5	+0.1	5.0
American Income Inc.	33.1	35.2		5.0
European Growth Acc.	57.3	60.9	+0.2	0.0
European Income Acc	28.7	30.5	+0.1	3.25
European Income Inc	29.3	30.9	+0.1	3.25

Abbey Life Assurance—Contd.

Equity Ser 4	152.7	160.8	-0.3	—
Fixed Int. Ser 4	192.7	202.9	+0.3	—
Indexed Inv. Ser 4	115.0	121.1	+0.1	—
American Ser 4	282.6	297.5	+1.8	—
High Inc Ser 4	387.4	407.8	+1.1	—
Japan Ser 4	271.0	285.3	-2.2	—
Man Ser 4	411.6	433.3	+0.6	—
Money Ser 4	205.2	216.1		—
European Ser 4	116.8	121.4	+0.5	—
Pension Funds				
Property	384.8	405.1	...	—
Equity	1120.1	1179.7	-0.7	—
Selective	311.6	328.1	-0.1	—
Managed	765.6	805.9	+1.3	—
Security	364.0	383.2	.	
Fixed Int.	210.7	221.8	+0.3	
European	183.4	193.1	-1.3	—
American	243.0	255.8	+2.0	—
Japan	299.9	315.7	-2.8	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2303
Life Funds (Accumulator Units)

Squirrel	11.10	11.69		—
Bear	13.07	13.76	+0.06	—
Owl	16.80	17.67	+0.16	—
Bull	14.97	15.76	+0.08	—
Stag	14.86	15.65	+0.07	—
Gilt-Edged		12.03	...	—
Deposit		10.29	...	—
North American	10.12	10.66	+0.01	—
European	9.38	9.88	-0.05	—
Property	11.94	12.57	+0.21	—
Index Linked	9.58	10.07	+0.03	—
Far Eastern	10.52	11.08		—
UK Equity	13.13	13.83	+0.15	—
Fixed Interest	9.99	10.53	...	—
Pension Funds (Accumulator Units)				
Squirrel	12.15	12.79		—
Bear	15.27	16.08	+0.11	—
Owl	20.88	21.98	+0.29	—
Bull	17.91	18.86	+0.14	—
Stag	17.87	18.82	+0.11	—
Gilt Edged		12.50	...	—
Deposit	10.82	11.37	+0.01	—
North American	10.31	10.86	+0.02	—
European	9.49	9.87	-0.06	—
Property	12.94	13.63	+0.30	—
Index Linked	9.60	10.11	+0.004	—
Far Eastern	10.98	11.56		—
UK Equity	14.69	15.47	+0.21	—
Fixed Interest	10.20	10.74	+0.01	—
Exempt Approved				
Mixed Managed	191.25	195.16	+1.73	—
Gilt-Edged		12.50	----	—

Cannon Assurance Ltd (z)

Crown Financial—Contd.

General Portfolio Life—Contd.

The LAS Group

Minster Fund Managers Ltd

Murray Johnstone UT Mgmt. (a)

NFU Mutual Unit Trust Managers

NM Schroder Unit Trust Mngrs

National Provident Inv Mgrs Ltd

Norwich Unit Trust Managers

Octavian Unit Trust Mgrs Ltd

Oppenheimer Fund Mngt Ltd

PK English Trust Group Plc

Pearl Trust Managers Ltd (a)(g)

Pembroke Administration Ltd

Perpetual Unit Trust Mngmt. (a)

Prolific Unit Trust Managers Limited

Providence Capital Fd. Mgrs. Ltd

Provident Mutual Unit Trust Managers Ltd.

SIM Unit Trust Management Ltd

SKG Management Limited

Save & Prosper Group

Schroder Asset Management Ltd

Scottish Equitable Fund Mgrs. Ltd

Scottish Life Investments

Scottish Mutual Investment Managers Ltd

Scottish Provident Inv. Mgt. Ltd

Scottish Unit Managers

Scottish Widows' Fund Management

Sentinel Funds Mngmt Ltd

Smith & Williamson Unit Trust Mngrs

Sovereign Unit Trust Mngrs Ltd

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)

TSB Unit Trusts (b) (c) (y)

3i Unit Trust Managers Ltd

Target Trust Mngrs. Ltd (a)(g)

Templeton Investment Management

Thornton Unit Managers Ltd(z)

Touche, Remnant Unit Trust Mngt Ltd

Trades Union Unit Trust Managers

Triton Fd Mngrs. Ltd.

Tyndall Unit Trust Managers Limited

UK Provident Unit Trust Managers Ltd

Unit Trust Account & Mgmt. Ltd

United Charities Unit Trusts (a)(c)(z)

Vanguard Trust Managers Ltd

Wardley Unit Trust Managers Ltd (a)

Waverley Asset Management Ltd (a) (c) (z)

Wellington Fund Mngrs Ltd

For WestAmm see Tyndall Unit Trusts

Whittingdale Unit Trust Managers

Windsor Trust Mngrs Ltd

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Ass. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Baltic Assurance Funds

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

British National Financial Services

CCL Assurance Ltd

Canada Life Group

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International(z)

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Assurance Ltd

Friends' Provident

GT Management Ltd

Gartmore Fund Managers Ltd

General Accident Linked Life Assurance(z)

General Portfolio Life Ins. Plc

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hambro Life Assurance

Hearts of Oak Benefit Society

Henderson Administration (z)

Hill Samuel Life Assur. Ltd (z)

Homeowners Friendly Society

Imperial Life Ass. Co of Canada

Irish Life Assurance Co Plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London & Manchester Group

London Indemnity & Gnl. Ins. Co Ltd

London Life

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

contd. on next Page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Pension Fund Prices

Managed Init.	326.1	.....	—
Do. Accum.	398.3	.....	—
Property Init.	242.9	.....	—
Do. Accum.	296.5	.....	—
Equity Init.	423.2	.....	—
Do. Accum.	516.0	.....	—
Gilt-Edged Init.	235.4	.....	—
Do. Accum.	287.6	.....	—
Guaranteed Init.	157.5	.....	—
Do. Accum.	192.4	.....	—
International Init.	517.8	.....	—
Do. Accum.	631.8	.....	—
Index Lk. Gilt Init.	137.3	.....	—
Do. Accum.	167.6	.....	—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	299.5	+0.0	—
Property Pens.	994.2	+0.1	—
Equity	196.0	+0.7	—
Equity Pens.	896.2	+4.6	—
Money Market	313.3	+0.0	—
Money Mkt. Pens.	559.9	+0.3	—
Deposit	236.0	+0.1	—
Deposit Pens.	374.9	+0.1	—
Managed	289.5	+0.3	—
Managed Pens.	568.7	+0.8	—
Intl. Equity	339.9	+0.4	—
Do. Pens.	547.2	+1.1	—
Intl. Managed	312.9	+0.5	—
Do. Pens.	464.1	+1.1	—
North American	129.8	+0.5	—
Do. Pens.	149.6	+1.0	—
Far East	293.0	+1.2	—
Do. Pens.	424.6	+1.7	—
Intnl. Currency	174.5	-0.4	—
Do. Pens.	239.2	-0.8	—
Index Linked	128.5	-1.2	—
S & C Managed Fd	142.8	+0.0	—
S & C Pens Mngd Fd	216.6	+0.0	—

Trustlink Life Funds

Per Worldwide Rec.	156.7	-0.2	—
Per Far East Growth	191.7	+1.3	—

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds

Managed Fund	57.1	60.2	+0.2	—
Stock Market Mngd Fund	58.8	61.9	+0.4	—
Equity Fund	64.0	67.4	+0.5	—
International Fund	54.8	57.7	+0.3	—
European Fund	56.3	59.3	+0.3	—
North American Fund	50.8	53.5	+0.3	—
Pacific Fund	65.4	68.9	+0.2	—
Property Fund	50.5	53.2	.....	—
Fixed Interest Funds	50.6	53.3	-0.1	—
Index linked Sec Fund	46.0	48.5	+0.2	—
Deposit Fund	50.6	53.3	.....	—

NUAM Retirement Plans

Mixed Fund	60.8	64.1	.....	—
UK Ordinary Share	72.2	76.0	-0.3	—
International Fund	56.5	59.5	+0.5	—
Property Fund	51.5	54.3	.....	—
Fixed Interest Fund	52.3	55.1	.....	—
Index Linked Sec Fund	45.8	48.3	-0.3	—
Deposit Fund	52.4	55.2	.....	—

NUAM (MF)

Managed Fund	781.7	822.9	+4.2	—
Equity Fund	1700.4	1789.9	+15.0	—
Property Fund	314.3	330.9	.....	—
Fixed Interest Fund	372.8	392.5	-0.2	—
Deposit Fund	206.5	217.4	.....	—
International Fund	142.0	149.5	+0.6	—
Index Linked Sec Fund	46.0	48.5	+0.2	—

Norwich Union Life Insurance Soc.

PO Box 4, Norwich NR1 3NG 0603 622200

Pensinvestor* & Unit-Linked Plus*

Fixed Interest Fund	259.6	273.2	.....	—
Index-Linked Sec Fund	131.3	138.2	.....	—
Ordinary Share Fund	520.8	548.2	.....	—
International Fund	145.3	152.9	.....	—
Property Fund	160.6	169.0	.....	—
Deposit Fund	164.2	172.8	.....	—
Mixed Fund	337.6	355.3	.....	—
Norwich Units May 15	972.9		.....	—

*Prices as at June 2.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Co Ltd

Royal Life Insurance Ltd

Royal Liver Assrce (Life & Pensions)

Save & Prosper Group

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd

Teachers' Assurance Company Ltd

Transatlantic Life Assur Co Ltd

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Vanbrugh Pensions Limited

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

The Norwich Group

O'Halloran & Co/Countrywide

PGR Fund Management Ltd

The Porchester Group

Roxborough Financial Services Plc

Sharp (Albert E.) & Co

Towry Law & Co

University Medical General Ltd.

J. B. Ward & Co Ltd

Yorkshire & Lancashire Investment Mgt.

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

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LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
3May	3Nov	Treas. 12pc 1987	100	29.9	11.89	9.00
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	99	22.12	7.78	8.42
10Nov	10May	Exch 10½pc '88	101	6.10	10.38	8.98
14Dec	14Jun	Treas 9¾pc Cv '88	100	8.5	9.69	8.98
1Jan	1Jul	Transport 3pc '78-88	96	26.5	3.10	6.34
25 Apr	25 Oct	Treas. 9½pc '88	100	18.9	9.46	9.09
22 Aug	22 Feb	Treas 11½pc 1989	103	16.1	11.10	9.10
18 Oct	18 Apr	Treas 9½pc Cnv 1989	100	11.9	9.43	9.03
15Nov	15May	Treas 3pc 1989	93	9.10	3.20	6.62
14Dec	14Jun	Treas 10½pc 1989	102	8.5	10.25	9.11
1Feb	1Aug	Exch.10pc 1989	101	29.12	9.84	9.11
29 Mar	29 Sep	Exch 11pc 1989	103	26.8	10.61	9.10
15 Apr	15 Oct	Treas 5pc 1986-89	94	8.9	5.28	7.57
15 May	15 Nov	Exch 10½pcCv '89	104	9.10	9.83	8.19
15 Jul	15 Jan	Treas 13pc 1990‡‡	108	8.6	11.90	9.00
12 Aug	12 Feb	Exch 11pc 1990‡‡	104	6.1	10.55	9.12
22 Sep	22 Mar	Exch. 12½pc 1990	107	18.8	11.58	9.12
8 Nov	8 May	Treas. 3pc 1990	90	2.10	3.32	6.78
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	99	11.5	8.29	8.41
25 Apr	25 Oct	Treas. 10pcCv 1990	102	18.9	9.77	9.15
22 May	22 Nov	Exch 2½pc 1990	88	16.10	2.84	6.43
10 July	10 Jan	Treas 11¾pc 1991	107	8.6	10.91	9.14
5Oct	5Apr	Funding 5¾pc '87-91‡‡	93	1.9	6.14	7.72
13 Nov	13 May	Treas. 3pc 1991	87	—	3.43	6.69
12Jan	12July	Treas 10pc Cv '91 ‡‡	105	5.6	9.48	8.38
25Apr	25Oct	Exch. 11pc 1991	106	18.9	10.33	9.12
22Jly	22Jan	Treas 12¾pc 1992‡‡	113	16.12	11.27	9.15
21Aug	21Feb	Treas 10pc 1992	103	15.1	9.69	9.13
13Oct	13Apr	Treas. 8pc 1992 ‡‡(50pd)	46	—	8.15	8.47
7 Nov	7 May	Treas 10½pc Cv 1992‡‡	105	1.10	9.981	9.12

Five to Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
25 Feb	25 Aug	Exch. 12¼pc '92	111	19.1	10.94	9.26
22Mar	22Sep	Exch 13½pc 1992	117	18.8	11.53	9.26
15Oct	15Apr	Treas 10pc 1993‡‡	103	8.9	9.64	9.13
14Jan	14Jul	Treas 12½pc 1993‡‡	114	8.6	10.88	9.22
15Mar	15Sep	Funding 6pc 1993‡‡	92	11.8	6.50	7.57
23May	23Nov	Treas 13¾pc 1993‡‡	121	17.10	11.35	9.27
1 Sept	1 Mar	Treas 14½pc 1994‡‡	125	23.1	11.56	9.27
27Oct	27Apr	Exch 13¼pc 1994 ‡‡	120	22.9	11.21	9.37
9Jan	9Dec	Treas. 10pc Ln. 1994	104	—	9.59	9.14
22Feb	22Aug	Exch. 12½pc 1994	116	16.1	10.78	9.38
17May	17Nov	Treas 9pc 1994‡‡	99	13.10	9.02	9.03
25Jul	25Jan	Treas 12pc 1995	114	18.6	10.51	9.34
1Nov	1May	Exch 3pc Gas 90-95	80	25.9	3.72	6.13
21Jan	21Jul	Exch. 10¼pc 1995	105	15.12	9.72	9.26
15May	15Nov	Treas 12¾pc 1995‡‡	119	9.10	10.66	9.30
22Jly	22Jan	Treas. 14pc '96	126	16.12	11.11	9.48
15Sep	15Mar	Treas. 9pc 1992-96‡‡	99	11.8	9.06	9.11
3Nov	3May	Treas 15¼pc 1996‡‡	134	29.9	11.37	9.46
15Nov	15May	Exch 13¼pc 1996‡‡	123	9.10	10.78	9.37
1Apr	1Oct	Redemption 3pc 1986-96	85	26.8	3.48	4.58
15May	15Nov	Conversion 10pc 1996	104	9.10	9.60	9.31
22Jul	22Jan	Treas 13¼pc 1997‡‡	123	16.12	10.70	9.41
21Aug	21Feb	Exch 10½pc 1997	107	15.1	9.78	9.32
1Mar	1Sep	Treas 8¾pc 1997‡‡	97	23.1	8.99	9.15
1 Mar	1 Sep	Treas. 8¾pc '97 'B' ‡‡	97	—	8.75	8.75
27Apr	27Oct	Exch 15pc 1997	134	22.9	11.15	9.63
19 Jul	19 Jan	Exch. 9¾pc 1998	102	12.6	9.48	9.31
1Nov	1May	Treas 6¾pc 1995-98‡‡	85	25.9	7.90	8.85
30Mar	30Sep	Treas. 15½pc '98‡‡	140	26.8	11.05	9.56
20May	20Nov	Exch. 12pc 1998	117	14.10	10.20	9.42
15Jul	15Jan	Treas 9½pc 1999‡‡	102	8.6	9.27	9.14
26Sep	26Mar	Exch. 12¼pc 1999	119	20.8	10.28	9.43
19Nov	19May	Treas. 10½pc 1999	108	13.10	9.68	9.29
22May	22Nov	Conversion 10¼pc 1999	106	16.10	9.59	9.29
28July	28Jan	Tr. 8½pc Ln 2000	95	—	8.84	9.01
3Sept	3Mar	Conversion 9pc 2000‡‡	98	26.1	9.10	9.14
14Jan	14Jul	Treas. 13pc 2000	126	8.6	10.28	9.42
26 Aug	26 Feb	Treas 10pc 2001	105	20.1	9.45	9.23
22Nov	22May	Treas. 14pc '98-01	129	16.10	10.42	9.57
10Feb	10Aug	Conversion 9¾pc 2001	104	5.1	9.37	9.22
22Jul	22Jan	Exch. 12pc '99-02	117	16.12	10.19	9.43
11 Oct	11 Apr	Conversion 10pc 2002	106	4.9	9.41	9.20

Over Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
27 Feb	27 Aug	Treas 9¾pc 2002	104	21.1	9.32	9.18
19May	19Nov	Exch. 9pc 2002	98	—	9.12	9.15
25Jan	25Jul	Treas. 13¾pc 2000-03	132	18.6	10.44	9.46
8 Mar	8 Sep	Treas 10pc 2003	106	30.1	9.36	9.17

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BRITISH FUNDS—Contd

Index-Linked

Interest Due		Stock	(b)	Price £	Last xd
30 Sep	30 Mar	Treas. 2pc '88	(297.1)	130	23.2
25 Jul	25 Jan	Do. 2pc '90	(333.9)	116	18.6
23Sep	23Mar	Do. 2pc '92‡‡	(385.8)	97	—
16Mar	16Sep	Do. 2pc '96	(267.9)	125	9.2
24Mar	24Sep	Do 2½pc '01	(308.8)	104	16.2
20Nov	20May	Do. 2½pc '03	(310.7)	102	13.4
19Jan	19Jly	Do. 2pc '06	(274.1)	105	12.6
20Nov	20May	Do. 2½pc '09	(310.7)	100	13.4
23Feb	23Aug	Do. 2½pc '11	(294.1)	105	19.1
16Feb	16Aug	Do. 2½pc '13	(351.9)	88	12.1
26Jan	26Jly	Do. 2½pc '16	(322.0)	95	22.12
16Oct	16Apr			95	10.3
17Jan	17July	Do. 2½pc '24 ‡‡(385.3)		88	10.6

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for October 1986: 388.4 and for May 1987: 101.9 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Interest Due		Stock	Price £	Last xd
4 Jan	4 Jul	African Dv Bk 11¼Ln 2010	108	4.6
24Mar	24Sep	Asian Dev Bk 10¼pcLn2009	103	23.2
28Jan	28Jly	Australia 13½pc 2010	130	29.12
26Apr	26Oct	Do. 11¾pcLn2015	112	27.3
23Mar	23Sep	Euro Inv Bk 11pc Ln 2002	107	23.2
22Mar	22Nov	Do. 10¼pc2004	105	22.4
8Jan	8Jul	Int-Am Dev Bk 12½pc 2003	120	4.6
15 May	15 Nov	Do. 9¾pcLn 2015	98	15.4
31 Jan	31 Jul	Mlysia 10¾pcLn 2009	93	2.1
3Jan	3Jul	Malaysia 12¼pc '88	101	3.6
4May	4Nov	NZ 11¼pc 2008	109	6.4
25May	25Sep	Do 11½pc 2014	112	23.2
22 Jan	22 July	Sweden 13½pc Ln 2010	130	23.12
1Mar	1Sep	Utd. Mexican States 16½pc	101	30.1

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Oc Ja Ap Jy	Sara Lee $1	29⅜xd	24.12	$1.00	—	2.1
Mr Jn Se De	Saul (B. F.) $1	9⅛xd	26.6	20c	—	1.2
Fb My Ag No	Southwestern Bell $1	24¼	7.4	h$2.32	—	5.7
—	Staley Continental	17⅛	—	80c	—	2.7
Mr Jn Se De	Sun Co. Inc. $1	40⅛xd	5.11	$3.00	—	4.6
Ma Je Se Dec	TRW Inc. $1¼	33¼	10.2	h$1.60	—	3.0
Mr Jn Sp Dc	Tenneco $5	30½	12.5	$3.04	—	6.1
June Dec	Do. 10pcLn.Stk. 91-5	187½xd	24.11	10%	—	5.5
Mr Je Se De	Texaco $6.25	23¼xd	31.7	$3.00	—	7.7
Mr Ju Se De	Time Inc. $1	59½	22.8	$1.00	—	1.0
Ja Ap Jy Oc	Tracor $0.33	12¼	16.9	40c	—	1.9
Ja Ap Ju Oc	Transamerica $1	24¼xd	31.3	$1.76	—	4.4
Fe My Au No	Transworld Corp $5	11⅞	11.11	20c	—	1.0
—	TRINOVA Corp.	44	12.04	h$2.00	—	1.4
Mr Je Se De	USX $1	19½	30.10	$1.20	—	3.6
Ag Nv Fb Jn	Union Carbide $1	19⅝	5.5	$1.50	—	4.7
Mr Jn Sp De	Utd. Technologies	30¼	19.5	$1.40	—	2.8
Fb My Ag No	US West	32⅝	13.4	$3.28	—	6.2
—	Waste Management $1	24⅞	—	—	—	—
—	Whirlpool $1.0	£22⅛	—	—	—	—
Mr Je Se De	Woolworth $3½	34⅛	19.11	$1.32	—	2.4

CANADIANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
—	Abbot Energy Corp.	21p	—	—	—	—
—	Amer. Barrick Res.	19⅜	—	—	—	—
—	Aramco	77p	—	—	—	—
Fb My Ag No	Bk. Montreal	15⅝	24.11	$2.00	—	5.9
Ja Ap Ju Oc	Bk. Nova Scot.	889p	12.1	72c	—	4.1
Ap Jy Oc Ja	BCE	19⅝	10.9	$2.40	—	5.6
May Nov.	Bow Valley	908p	15.12	40c	—	2.0
Ja Ap Jy Oc	Brascan	16¼	28.10	68c	—	2.5
—	Breakwater Res.	354p	—	—	—	—
Fe My Au No	Can.Imp.Bk. $2	10⅛xd	30.3	$1.08	—	4.9
July Jan.	Can. Pacific	11½	12.1	48c	—	1.9
July Jan	Do. 4pc Deb £100	41½xd	10.11	4%	—	9.6
Jn.Sp.Dec.Mar	Echo Bay Mines	27¼	—	20c	—	0.4
—	Euro-Asia Capital Ltd.	177p	—	—	—	—
—	Galactic Resources	512p	—	—	—	—
—	Global Data Systems	48p	—	—	—	—
—	Granges Explo.	684p	—	—	—	—
—	Gt Pacific Res	15p	—	—	—	—
Ja Ap Jy Oc	Gulf Canada	13⅞	26.3	52c	—	1.7
Ap Jy Oc Ja	Hawker Sid Can	12⅝	15.11	96c	—	3.6
—	Henlys Group	523p	—	—	—	—
Mr Jn Sp De	Hudson's Bay	10⅝	1.1	60c	—	2.5
Mr Je Se De	Imperial Oil	32¼	26.11	s$1.60	—	2.2
Jan.Ag.J.O.	Inco	10⅝xd	29.4	US$0.20	—	1.1
—	Intl. Corona Res	18	—	—	—	—
Fe My Au No	Inland Nat. Gas $1	668p	30.12	60c	—	4.1
—	Mascocho Explr.	225p	—	—	—	—
—	Nord Business Syst.	885p	—	—	—	—
June Dec	Rio Algom	965p	5.11	$1.30	—	6.2
Mr Je Se De	Royal Bk. Can.	15½	21.4	$2.00	—	5.9
Se De Mr Jn	Seagram	48⅝	14.2	US$2.00	—	1.3
F My Au No	Toronto-Dom. Bk.	13¼	22.9	84c	—	2.8

[illegible]

BANKS, HP & LEASING

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan	July	PWS Holdings 10p	343	1.6	9.25	2.9	3.7	12.8
—		Pearl Group 5p	392	27.4	10.5	—	3.7	—
Nov.	May	Prudential	£10¾	6.4	29.0	—	3.7	—
Nov.	May	Refuge 5p	535	23.3	15.75	—	4.0	—
Jan.	May	Royal	513	23.3	15.5	—	4.1	—
April	Oct.	Sedgwick Group 10p	315	9.3	12.0	1.7	5.3	13.4
May	Nov	Steel Burrill J. 10p	270	6.4	9.0	2.0	4.6	15.0
Nov.	July	Stewart Wr. 20p	500	11.5	13.0	2.0	3.6	17.8
Mar	Sept	Sturge Hldgs 20p	474	26.1	6.0	2.5	1.7	30.9
Jan.	July	Sun Alliance	£20	11.5	23.5	—	3.2	—
June	Nov	Sun Life 5p	£11⅞	6.4	28.5	—	3.3	—
April		Taisho M EDR	£52½	25.3	10%	—	0.8	—
Fb My Au Nv		Torchmark $1.00	£17½	9.1	60c	—	2.1	—
Nov.	May	Trade Indemnity	355	6.4	4.3	—	1.7	—
Mr Jn Se De		Travelers $1.25	£28½	27.4	$2.28	—	4.9	—
Dec	June	USLIFE Corp. $1.0	£24½	5.11	$1.20	3.2	3.0	5.4
June	Nov	Utd Friendly B 10p	718	1.6	21.0	—	4.0	—
May	Nov	Willis Faber 12½p	437	27.4	10.75	1.9	3.4	22.0
Mar	July	Windsor Secs. 10p	73	22.12	0.7	1.5	1.3	67.3

LEISURE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
October		A & M Group 10p	18	11.8	0.4	2.0	3.0	22.5
Jan	July	A-R TV Pref. £1	80	22.12	5.95	48.1	12.2	—
—		Airtours 10p	238	—	R5.4	2.5	3.2	17.3
May	Aug.	Anglia TV	465	23.2	11.25	3.3	3.3	12.8
—		Aspinall Hldgs. 10p	156	23.2	6.0	1.2	5.3	21.4
		Avesco 1p	131	—	0.5	◆	0.5	◆
—		BCE Hldgs 5p	45½	—	Rd1.0	3.0	3.0	15.1
July	Nov	Barr & W.A.T. 'A'	225	29.9	8.0	1.4	4.9	18.3
		Bond Media	42		—	—	—	—
—		Boosey & Hawkes	205	4'84	—	—	—	—
		Border T V.	51	23.2	2.5	3.2	6.7	12.8
June	Dec	Brent Walker 10p	353	27.4	8.5	2.2	3.9	17.0
Mar.	Nov.	Campari Int. 20p	265	6.4	3.0	5.1	1.6	13.6
—		Castle Comms. 5p	275	—	R7.0	2.2	3.6	17.5

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Allied Ins. Brokers	128	—	13.5	2.5	4.0	14.2
Americoal Energy 10p	18	—	—	—	—	—
Ardmore Pet. 'A'	12	—	—	—	—	—
Catalyst Comms. 5p	70	—	—	—	—	29.1
Chelsea Artisans 5p	178	—	—	—	—	23.9
Corton Beach 10p	95	1.6	0.4	◆	0.6	◆
Crown Eyeglass 5p	185	—	—	—	—	—
Edenspring Investment	220	—	—	—	—	—
Eglinton Oil Ir.5p	28	—	—	—	—	—
Do. Warrants	20	—	—	—	—	—
Publishing Hldgs.5p	70	—	—	—	—	40.6
Thene Holdings	40	27.4	1.0	◆	2.3	◆
Unit Group	148	—	4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

● "Tap Stock".
* Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
† Interim since increased or resumed.
‡ Interim since reduced, passed or deferred.
‡‡ Tax-free to non-residents on application.
◆ Figures or report awaited.
♦ Not officially UK listed; dealings permitted under Rule 535(4)(a).
♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Dealt in under Rule 535(3).
@ Price at time of suspension.
¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
◆ Merger bid or reorganisation in progress.
◆ Not comparable.
◆ Same interim: reduced final and/or reduced earnings indicated.
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	86	.....	Fin. 13% 97/02	£118½	+¼
Craig & Rose £1	£17¼	.....	Arnotts	335	.....
Finlay Pkg. 5p	105	.....	CPI Hldgs	57	.....
Holt (Jos) 25p	970	.....	Carrol Inds.	148	.....
IoM Stm. £1	120	.....	Dublin Gas	18	.....
			Hall (R. & H.)	108	.....
IRISH			Heiton Hldgs.	38	-1
Fund 11¼% 1988	£100½	+⅛	Irish Ropes	170	.....
Nat. 9¾% 84/89	£97½	.....	Unidare	375	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds	62	Cons Gold	95
Marks & Spencer	22	Lonrho	26
Midland Bk	55	Rio T Zinc	90
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

CONSTRUCTION CONTRACTS

Mixed batch for Miller

MILLER CONSTRUCTION has been awarded six civil engineering projects worth more than £10m. These include: Royal Docks drainage scheme, phase four, for London Docklands Development Corporation; a sewer replacement scheme for the City of Manchester; Mablethorpe sea defence programme for Anglian Water; Vines Cross sewage treatment works project in Sussex for Southern Water Authority; Egremont-Braystones trunk sewer for North West Water Authority; and site decontamination project in Widnes for Halton Borough Council.

*

HENRY BOOT is to undertake a £3m road improvement scheme on the A34 at Hanford near Stoke on Trent. A level grade roundabout on the busy road is to be replaced with a grade separated junction involving construction of a four-span flyover. The 74 week contract is due to start next month.

Bank project in Peterborough

Contracts totalling over £17m have been awarded to WIMPEY CONSTRUCTION UK.

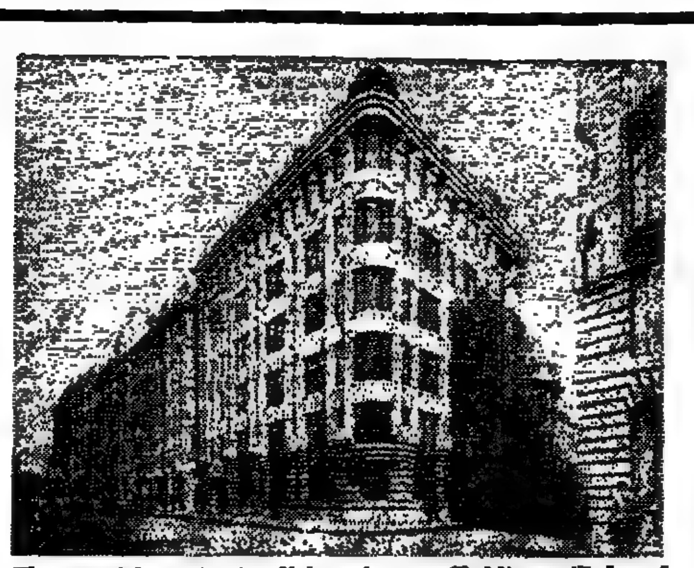
A contract from Lloyds Bank is for the design-and-construction of a second phase of the bank's building at Peterborough. Based on an outline design by the bank's regional architect, the contract is due for completion in September next year and is for a steel-frame building, linked to the existing centre, with metal cladding on a reinforced concrete foundation and a mansard roof.

Four retail warehouse units, to be occupied by Allied Carpets, Wigfalls, Halfords and Payless, are being built for Laybrook Properties at Kingsbury Road, Birmingham, and the contract, worth £1.7m is due for completion in September. The buildings will be constructed in blocks of two with offices to each unit.

A single-storey warehouse with an attached office building is under construction for Batley's. In Sandwell, West Bromwich work on the £3.75m contract has started, for completion by February. External works include car parking of 9,045 square metres, hardstandings, flag paving and landscaping, and internal installations include refrigeration, display shelves, kitchen equipment and computerised tills.

The National Exhibition Centre has awarded Wimpey a site preparation sub-contract package at NEC Birmingham, valued at £880,862. Work has started to be completed in 14 weeks, and covers demolition of two-storey seminar-suites ready for reconstruction.

C. H. PEARCE AND SONS (CONTRACTORS) has won three contracts worth a total of £6m. Twenty-three high-tech factory units with offices worth over £2m, are to be built at Whittle Parkway, in Bath Road, Slough. Nine industrial units at the Meadow Brook industrial estate in Maxwell Way, Crawley, ranging from 500 to 3,500 square metres, will each include offices, and are worth over £2.5m.. The company is to design and build new homes for elderly people at Nailsea in Avon. This contract, awarded by Woodspring District Council, is worth just over £1m and will involve construction of 43 flats of traditional design. Other contracts, worth a further £1m, include a supermarket for Argyll Stores at Ross on Wye, and refurbishment of a property into 12 flats for the Bristol Churches Housing Association.



The special contracts division of HIGGS AND HILL BUILDING is to undertake a design and construct contract for JLW Development Services, on behalf of the Midland Bank Pension Trust, to create a high quality office building at 30-34 Moorgate, London EC2. It will have a steel frame with metal deck and lightweight concrete floors and concrete encased perimeter columns and beams. Cladding will be of high quality precast concrete panels with a cast-on Portland stone veneer and polished granite. The building will also have a sloping mansard roof with aluminium sheet cladding and dormer windows, while flat roof areas are of upside-down asphalt construction. Internally, offices will generally be open plan with raised floors.

McLAUGHLIN & HARVEY has been awarded contracts worth a total of £6.8m. Included are a £3.1m office development at 13 Charles II Street, SW1, for Land Securities; a £1.6m shops/offices/residential development at 46-54 Battersea Bridge Road, SW1, for Westgate Land and Property Investments; and a £1.5m retail/offices/light industrial development at 29-35 Great Portland Street, W1, for Collin Estates.

Expanding Stanmore research complex

SHEPHERD CONSTRUCTION has won three design and build contracts in the industrial sector approaching £15m. They are for Marconi Defence Systems, at Stanmore, Middlesex; The Sharp Manufacturing Company of UK, at Wrexham, Clwyd; and Schering Agrochemicals at Hauxton, Cambridge.

Worth £5m plus, the Marconi project comprises the design and construction to two buildings to house electrical laboratories and offices on the Stanmore research and development complex. One of two brick-clad blocks is of four-storeys and will provide 4,250 sq metres of floor area while the other is of three-storeys to provide 5,250 sq metres of floor area. Completion will be in May 1988.

A factory building with a floor arear of 15,600 sq metres for the manufacture of consumer electrical goods is the subject of fast moving 36 weeks, £5m plus design and build contract for Sharp of Wrexham.

Shepherd is undertaking this project for project manager, Shimizu Europe BV.

Shepherd is building a warehouse complex at Hauxton, Cambridge for Schering Agrochemicals under a £4.2m contract for completion in June 1988. This new facility incorporates storage areas for flammable goods, raw materials and finished goods, together with amenities and loading docks.

Refurbishing the Tube

FAIRCLOUGH BUILDING, part of the AMEC group, has won three contracts with a combined value of over £5m. The largest is a £2.5m management fee contract for London Underground for modernising Gloucester Road tube station. This is Fairclough's 12th tube-station project in recent years and works include some demolition, refurbishment of the entrance, platforms and shops, plus a new combined ticket hall which will feature a new ticketing system.

For AMI Health Care Group, Fairclough is to build a £2m wing for the Alexandra Hospital at Cheadle, Cheshire. The two-storey structure will contain a surgical unit, medical suite, physiotherapy department, gymnasium, consulting suites and a health screening department. In Stafford, work has started on refurbishment of the Guildhall, Market Arcade and 18 Market Square, for The Standard Life Assurance Company.

Taylor Woodrow busy in Brunei

TAYLOR WOODROW INTERNATIONAL has won two further contracts in Brunei after opening up the territory for the first time earlier this year. The latest orders, worth a total of £2.2m, have been placed by the Brunei Government's Ministry of Development and will be undertaken by Teamwork Sdn. Bhd., the locally-based TWI subsidiary.

The larger project valued at £1.6m, is for construction of a Government staff recreation complex, including social, indoor bowling, squash, gymnasium, swimming and tennis facilities, in Bandar Seri Begawan, the state capital. Work has started and is due for completion in July, 1988. The other contract, valued at £600,000, is for first phase infrastructure works on a proposed water treatment plant at Jalan Barun — 45 miles from the capital. Work is underway and is scheduled for completion in April, 1988. The works include estate roads, a steel river bridge, re-routing a water pipeline and earthworks to prepare part of the site for housing for plant workers.

Teamwork Corporation is also working on a £5.8m contract to build a residential, retail and sports complex in a suburb of Bandar Seri Begawan. Work is due for completion in August, 1988.

DIARY DATES

BUSINESSMAN'S DIARY

Trade fairs and exhibitions: UK

June 30-July 2
Electronic Publishing Exhibition and Conference (01-868 4466) **Wembley**

July 1-2
London Recruitment Fair 1987 (for graduates) (01-387 8221) *Business Design Centre, WC1*

July 3-5
Money Show (0895 58431) **University of Leeds**

July 6-9
Royal Agricultural Show (0203 555100) **Kenilworth**

July 10-19
World Wine Fair (01-729 0677) **Bristol**

July 14-16
Electronic Design Automation Show (01-242 3621) **Wembley Conference Centre**

July 17-18
Cash and Carry Fashion Fair (01-727 1929) **Kensington Town Hall**

July 19-23
Gift Trade Fair (0282 867153) **Harrogate Exhibition Centre**

July 23-26
Acorn Computer User Show (01-836 2441) **Barbican Centre**

July 28-August 2
British Music Fair (01-385 1200) **Olympia**

August 2-5
BFM Furniture Show (01-724 0851) **G-Mex Centre, Manchester**

August 6-9
Connoisseur and Collectors' Fair of Antiques and Memorabilia (021-780 4171) **NEC, Birmingham**

August 23-25
International Craft and Hobby Fair (04252 72711) **Wembley Conference Centre**

August 30-September 1
Scottish Industry and Commerce Trade Fair (0202 767073) **Scottish Exbn Centre, Glasgow**

Overseas

June 30-July 3
Electronics Industry Exhibition (02403 29406) **Hong Kong**

July 16-20
International Integration of Western and Chinese Medical Technology and Pharmacology Exhibition (01-486 1951) **Shanghai**

July 22-25
British Products and Services Fair (0206 240668) **Amman**

July 24-27
Electronic Products Exhibition — INTERNEPCON (01-940 3777) **Kuala Lumpur**

August 21-27
International Jewellery and Watches Exhibition—JEWELFAIR (01-464 4129) **Singapore**

September 3-6
Specialised Fair for Clocks, Watches and Jewellery — JUWELIA (01-977 4551) **Vienna**

September 6-9
International Exhibition of Sports Goods and Leisure Equipment (01-255 5566) **Paris**

September 6-12
International Autumn Fair (01-240 7013) **Leipzig**

Business and Management Conferences

June 29
The Strategic Planning Society: Recent research results—the competitiveness of British Multinationals (01-235 0246) **15 Belgrave Square, SW1**

June 30-July 1
Watt Committee on Energy: Rational use of energy (01-379 6875) **Heriot Watt University Edinburgh**

July 2-3
Financial Times Conferences: Oil and gas reappraised (01-621 1355) **Hotel Inter-Continental, W1**

July 6
London Chamber of Commerce: Turkey in pre-election year (01-248 4444) **69, Cannon Street, EC4**

July 7-12
International Energy Forum (040 35 69 24 40) **Hamburg**

July 8
Association for the Prevention of Theft in Shops conference (01-839 8614) **Grosvenor House, W1**

July 8-9
Institute for International Research: Issuing, Trading and Investing in Equity Warrants and Convertibles (01-434 0301) **Cafe Royal, W1**

July 7-9
City Financial: Insurance information exchanges — UK-general markets (01-242 5275) **Connaught Rooms, WC2**

July 7-8
Financial Times Conferences: Telecommunications and the European Business Market: the perspectives for change (01-621 1355) **Hotel Inter-Continental, W1**

July 12-14
Spectra: How can retail management use data collected from sales points—to make their businesses grow? (0734 794161) **Portman Hotel, W1**

July 15-17
National Association of Futures Trading Advisors: Managed money—a global perspective (Illinois (312) 644-6610) **Ritz Carlton Hotel, Chicago**

July 16-17
Frost and Sullivan: Strategies for dramatically reducing your inventory costs (01-730 3438) **Sullivan House, SW1**

July 28-30
Microwave Association: Educating the educators (01-229 8225) **Royal Holloway and Bedford College, Egham**

August 10-12
Frost and Sullivan: Managing the data centre as a business (01-730 3438) **London**

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Bristol Waterworks, Bridgwater Road, Bristol, 12.30
British Airways, Royal Albert Hall, SW, 12.00
Exploration Co., 41 Chapel Place, SW, 11.15
North British Canadian Inv., 29 Charlotte Square, Edinburgh, 12.30
Rickmansworth Water Co., London Rd., Rickmansworth, Herts., 11.45
Thames TV, Royalty Theatre, WC, 12.00

BOARD MEETINGS—
Finals:
Boged-Pelepah
Campbell & Armstrong
Cohen (A.)
Dowty
England (J.)
Illingworth Morris
Lister
Lynton Property and Reversionary
Rotaprint
YSEL Consortium
[illegible]

DIVIDEND & INTEREST PAYMENTS—
AMEC 15pcLn. 1992 7½pc
[illegible]

Chamberlain Phipps 5pcPf. 2.5p. 9pcLn. 4½pc
Charlwood Alliance 8½pc1stDb. 1995-98 4¼pc
Charnos 7pcPf. 2.45p
Chepstow Racecourse 5pcLn. 1986 2½pc
Chester Waterworks 8pcDb. 1992-94 4pc. 7½pcDb. 1991-93 3¾pc
Chillington Cpn. 9pcLn. 1999 4½pc
City Site Ests. 7pcLn. 2005-06 1.8411p
Clyde Port Auth. 3pc 1½pc. 4pc 2pc
Coats Patons 4pcLn. 2002-07 2¼pc. 6¾pc Ln. 2002-07 3⅜pc. 7½pcLn. 1990-95 3¾pc
Collins (Wm.) 6pcDb. 1993-98 3pc
Colman (E. Alec) Invsts. 8½pc1stDb. 1986-91 4¼pc
Comben Grp. 7½pcLn. 1992-97 3¾pc
Conoco 7½pcLn. 1987-93 3¾pc. 8pcLn. 1987-94 4pc
Continental Illinois 2ects.
Continental Illinois Overs Fin Cpn. 1994 $169.05
Cookson 7pcPf. 2.45p
Copenhagen Handelsbank 2000 $325.45
[illegible]

Parliament

TODAY

Commons: Queen's Speech debate—Subject: The social and economic divisions of the nation, and the regions of Britain.

Lords: Queen's Speech debate: Foreign Affairs and Defence.

TOMORROW

Commons: Queen's Speech debate—Subject: Deprivation and inequality.

Lords: Debate on Queen's Speech: Home affairs and the environment.

WEDNESDAY

Commons: Queen's Speech debate—Subject: The cities, local services, and education.

Lords: Queen's Speech debate: Economic affairs and employment.

THURSDAY

Commons: Queen's Speech debate—Subject: Use of national resources.

Lords: Channel Tunnel Bill, Committee.

FRIDAY

Commons: Business to be announced.

WORLD STOCK MARKETS

AUSTRIA

1987 High	Low	June 26	Price Sch%
2410	1890	Creditanstalt	1918
3210	2460	Goesser	2650
17200	10800	Interunfall	11860
14,000	7050	Jungbunzlauer	7720
2125	1740	Laenderbank	1805
712	600	Perlmooser	671
167	108	Steyr-Daimler	108
1113	690	Veitscher Mag	744

BELGIUM/LUXEMBOURG

1987 High	Low	June 26	Price Frs.
3300	2900	B.B.L.	3260
16000	15300	Banque Gen. Du. L.	15300
15200	14300	Bank Int. A	14300
12500	9000	Bekaert B	11500
5630	3900	Ciment CBR	5630
182	131	Cockerill	170
3465	2700	Delhaize	3350
5500	4685	EBES	[illegible]

ITALY Continued

AUSTRALIA

JAPAN

NETHERLANDS

DENMARK

SPAIN

HONG KONG

FINLAND

SWEDEN

FRANCE

SINGAPORE

GERMANY

NORWAY

SWITZERLAND

1987 High	Low	June 26	Price Frs.
1,750	1500	Sika	1625
8,950	6010	Surveillance	6,625
1395	1,080	Swissair	1,360
572	421	Swiss Bank	466
20,300	15200	Swiss Reinsce	17,300
2,788	1960	Swiss Volksbk	2,130
6,120	4350	Union Bank	4,800
7,500	5,800	Winterthur	6,600
7,917	5875	Zurich Ins	6,700

ITALY

SOUTH AFRICA

1987 High	Low	June 26	Price Rand
19	10	Sage Holdings	17.25
21.5	15.3	SA Brewers	18.5
44	29.75	Smith (C.G.)	44
12.75	7.75	Tongaat Hulett	12.4

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices June 26

MONTREAL

Closing prices June 26

OVER-THE-COUNTER

Nasdaq national market, Closing prices June 26

Continued from Page 45

Indices

NEW YORK

DOW JONES

	June 26	June 25	June 24	June 23	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1748.3	1742.9	1739.5	1742.0	1858.8 (28/5)	1486.7 (2/2)
Metals & Minerals (1/1/80)	1006.6	1007.6	1005.1	999.3	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	182.26	182.57	183.54	182.96	230.60 (2/1)	182.21 (19/6)
BELGIUM						
Brussels SE (1/1/84)	4795.60	4785.54	4764.51	4742.07	4793.60 (26/6)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	209.24	209.96	210.88	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	552.9	544.80	544.8	542.8	552.9 (25/6)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	401.40	397.80	405.0	408.60	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	100.80	98.90	99.9	102.00	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	625.01	621.94	614.64	633.29	676.84 (6/1)	530.32 (19/3)
Commerzbank (1/12/53)	1891.60	1882.50	1861.4	1914.70	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
Hang Seng Bank (31/7/64)	3198.68	3136.31	3178.98	3110.41	3178.98 (24/6)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	702.09	702.05	703.08	709.24	767.34 (30/4)	673.60 (3/3)
JAPAN**						
Nikkei (16/5/49)	25049.83	25031.35	24892.75	24794.91	25929.42 (17/6)	18544.8 (13/1)
Tokyo SE New (4/1/68)	2130.64	2134.25	2117.09	2117.29	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	305.60	303.40	301.10	303.20	305.60 (26/6)	257.7 (20/1)
ANP CBS Indust. (1970)	263.00	261.70	258.80	260.60	274.9 (5/1)	243.40 (11/6)
NORWAY						
Oslo SE (4/1/83)	431.46	429.45	431.37	434.82	436.16 (24/4)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1260.77	1256.66	1252.40	1249.24	1260.77 (26/6)	809.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	2021.0	2042.0	1969.0	2308.0 (27/4)	1706.0 (19/3)
JSE Indust (28/9/78)	(u)	1906.0	1897.0	1889.0	1957.0 (19/5)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	242.83	240.78	239.14	238.91	255.95 (23/2)	202.09 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	2709.60	2718.90	(u)	2782.10 (6/5)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Corp (31/12/58)	612.0	610.1	605.90	613.10	613.30 (22/6)	564.5 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	(u)	470.30	469.50	468.20	480.30 (12/6)	361.3 (2/1)

**Saturday June 20: Japan market closed.

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

CANADA

NEW YORK ACTIVE STOCKS

Closing prices, June 26

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20 1/8	AAR	s	.50	1.5	23	82	33 1/8	32 1/2	33	+3/8
37	21 7/8	ADT		.92	2.9	18	72	31 7/8	31 1/4	31 1/4	-3/8
27 3/4	16 3/4	AFG	s	.16	.6	12	389	26 5/8	25 3/4	26 1/2	-1/8
22 3/8	8 3/8	AGS	s			17	1811	17 7/8	16 5/8	16 7/8	-1
13	6 3/4	AMCA					1	8	8	8	+1/8
9 3/8	4 7/8	AM	Intl				826	7 3/4	7 1/2	7 1/2	-1/4
62 7/8	47 1/4	AMR				13	3351	62 1/2	60 5/8	61 1/4	-1 1/8
27 1/2	24 7/8	ANR	pf	2.67	10.		2	25 3/4	25 3/4	25 3/4	
11 3/4	8	ARX	s			12	164	10 1/2	10 1/4	10 3/8	-1/4
73 1/2	28 3/4	ASA		2a	3.5		514	57	56	56 5/8	+3/4
20	9 3/4	AVX			1.8	90	322	18	17 7/8	18	
67	41	AbtLab		1	1.6	26	2418	64 7/8	63 5/8	63 7/8	-3/4
29 3/4	18 3/8	AccoWs		.44	1.5	26	6818	28 5/8	28 1/2	28 1/2	
15 1/8	9	AcmeC		.40	3.1	9	81	13	12 3/4	12 7/8	-1/4
8 3/8	6 1/8	AcmeE		.32b	4.1	30	5	7 7/8	7 3/4	7 3/4	-1/8
23 7/8	19	AdaEx		3.42e	15.		32	22 1/4	22	22 1/4	
19 1/2	11 3/8	AdmM	s	.24	1.5	12	26	16 3/8	16 1/4	16 3/8	
24 3/4	12 1/8	AdvSys		.62t	2.5	18	136	u24 3/4	23 3/4	24 5/8	+5/8
24 1/2	12 7/8	AMD					7003	19 1/8	18 5/8	19	+3/8
54 3/4	48 3/4	AMD	pf	3	6.1		974	49 1/4	48 3/4	49	-1/4
10 3/4	5 1/4	Adobe					238	9 1/8	8 7/8	8 7/8	
20 1/2	13 3/4	Adob	pf	1.84	9.7		5	19	18 7/8	18 7/8	-1/8

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
19¼	13¾	PhilSb s	.94	6.1	12	30	15⅝	15⅛	15⅝	+⅛
92¼	63	PhilMr	3	3.4	14	4621	89⅞	88⅝	89½	−⅛
22	13	Philpl s	.36	1.7	18	1314	u22½	21⅛	21¼	−⅛
25⅞	18⅝	PhilGl	.80e	3.2	12	459	25⅜	25¼	25¼	−⅛
17⅛	8¼	PhilPet	.60	3.7	45	11455	16⅛	15⅝	16⅛	+⅛
24¾	19¼	PhlPt pf	1.75e	7.2		12	24¼	24¼	24¼	
20¼	15	PhlVH s	.28	1.4	15	17	19¾	19½	19¾	
13½	5⅛	Phlcrp n				177	6	5⅞	5⅞	−⅛
71	35¾	PiedAv	.32	.5	17	215	69	68⅞	69	
24¼	17	PiedNG	1.32	6.3	10	28	21	21	21	
21½	10⅛	Pier 1 s	.08b	.4	31	2055	21¼	20½	21¼	+⅜
10⅝	7¼	PilgRg	.26e	3.3		156	8⅛	8	8	
15⅜	9½	PilgPr n	.02e	.2	17	264	10½	10¼	10⅜	−⅛
46⅛	32⅜	Pilsby s	1	2.3	21	1604	44	43⅝	44	−⅛
32¾	27⅛	PinWst	2.80	8.7	10	3233	32¼	32	32⅛	
42½	21⅞	PionrEL	1.3e	.3	101	50	42	41⅜	41⅜	−1½
46⅛	27⅜	PitnyB s	.78	1.7	20	896	43¾	43¼	43½	−⅛
16½	10½	Pittstn			44	794	15¼	15	15⅛	−⅛
33¾	20¼	PlainsP	.05e	.2	74	13	32⅜	31⅞	31⅞	−½
25½	14¾	Planim	.16	.7	20	1	22⅝	22⅝	22⅝	−¼
14½	5⅞	Playboy				64	14	13⅞	13⅞	−⅛
40¾	23½	Plessey	1e	2.7	16	20	37⅜	37⅜	37⅜	+⅜
8⅝	4¼	PogoPd				79	7⅜	7¼	7⅜	+⅛
85½	55¼	Polarid	1.20	1.5	22	1452	78¼	77½	77⅝	−⅜
42¾	27⅝	Polard wi				9	39¾	39	39¾	+¾
24½	8⅞	PopTals			11	357	23	20½	20⅞	−2¼
20½	11⅛	Portec				67	12⅝	12¼	12⅝	+⅛
36⅜	22¾	PortGC	1.96	7.5	14	1265	26⅜	26	26⅛	−¼
34¾	30⅛	PorG pf	4.32	14.		2	30¾	30¼	30¼	+⅝
41⅞	24	Potlch s	.64	2.5	13	401	33½	32¾	33⅜	−⅜
27	17	Vishay	1.55t	6.3	16	104	24⅜	23⅞	24	
34½	17	VistaC n			14	249	33½	33	33⅜	+⅜
145	101	VulcM	3.40	2.3	17	18	144¾	144⅛	144¾	+¾
W W W										
46	34	WICOR	2.60	7.0	14	10	37¼	37⅛	37⅛	
8½	4⅝	WMS				357	7¼	7	7⅛	+⅛
36½	17½	Wackht	.60	2.7	34	17	22	21⅞	21⅞	+⅛
8¼	4	Wainoc	.10e	1.4		226	7½	7¼	7⅜	−⅛
69⅞	39⅞	WalMrt	.24	.4	38	2780	68¼	67¼	67¾	−¼
34⅞	19½	WalMt wi				115	u35	34	34½	
42⅜	29¾	Walgrn	.54	1.3	25	3111	41½	40⅞	41½	+1
49⅜	37	WalCSv	.60	1.5	16	117	40¾	40¼	40⅜	−½
62¼	40⅜	WaltJm	1.40	2.6	10	850	54⅝	53	53⅛	−1⅝
36⅜	18¾	WrnC s	.40	1.2	24	3572	35	34¼	34⅝	
65⅝	48¼	WrnC pf	3.63	5.6		1020	65¼	64¾	65¼	+¼
78⅜	52½	WarnrL	1.80	2.4	17	1383	74¾	73½	74⅝	+⅝
30⅞	24¼	WashGs	1.80	6.9	10	351	26⅛	25¾	26⅛	+⅛
35¼	23¼	WshNat	1.08	4.1	9	100	26¾	26¼	26⅜	−¼
31⅝	24⅞	WshWt	2.48	9.1	684	542	27⅜	27	27⅜	−⅛
42⅞	22¼	Waste s	.36	.9	21	3204	40	39⅝	39⅞	
42½	30½	WatkJn	.40	1.1	18	54	35⅞	35½	35⅞	
4½	1⅞	WeanU				1	2¼	2¼	2¼	
26⅛	17⅛	WebbD	.20	1.0	11	207	20⅜	20	20¼	−⅛
28⅜	20½	WeingR	1.60	5.8	22	186	28⅛	27½	27½	−½
33¾	22	WeisM s			23	24	33⅝	33⅝	33⅝	
59⅝	44⅞	WellsF	s1.56	2.8	8	1148	56½	55¾	55⅞	−⅞
52	40	WelF pf	3e	6.2		630	48	48⅜	48⅝	−⅞
51¾	44	WelF pf	2.97e	5.7		105	u51⅞	51¾	51⅞	+⅜
30	17½	WelFM	2	11.	9	70	18⅝	18¼	18⅝	+⅛
16⅛	9	Wendys	.24	2.5		1491	9⅞	9⅝	9¾	
22⅞	12¼	West s	.25	1.4	19	155	20½	20⅛	20¼	−⅛
72	45¼	WstPtP	2.20a	3.3	15	173	68½	66⅞	66⅞	−1⅞
13¾	8⅞	WstctT	g.80		13	1	13⅝	13⅝	13⅝	
2	¼	WCNA				767	1¾	1⅝	1⅝	
28	16½	WstnSL	.24	1.1	12	90	22⅜	22⅜	22¼	−⅛
6⅝	3¼	WUnion				253	4⅛	4	4⅛	
6⅝	1¾	WnU pfS				1	2⅜	2⅜	2⅜	
10¾	2⅜	WnU pfE				20	3	2⅞	2⅞	
15⅞	6¾	WUTl pfA				51	9½	9⅝	9⅝	
68⅝	48½	WstgE	1.72	2.7	14	3583	65⅝	64½	64⅞	−½
54	31½	Wstvc s	1	2.2	18	1440	47¼	46	46	−1¼
60	30½	Weyerh	1.30	2.6	22	3217	51⅞	50¾	50⅞	−1⅜
48¾	45¼	Weyer pr	2.82	5.4		42	u48⅞	48⅝	48⅝	
11⅞	5⅝	vjWhPit				183	8¼	7½	7½	−⅝
23	13	vjWhPitpf				z100	18	18	18	+¾
41⅛	29¼	Whrlpl	s1.10	3.1	13	2098	35⅞	35⅝	35⅝	
29¼	19	Whitehl			40	36	20¼	19⅝	19⅞	−¼
36½	25⅜	Whittak	.60	1.7	97	32	36⅛	35⅞	35⅞	−⅛
16	5¼	Wilfred	.12	2.0	12	12	6	5⅞	5⅞	
25⅝	11⅞	WillcxG	.15	.6	17	130	25⅝	25⅜	25⅜	
35⅞	9⅛	William	1.40	4.1		1041	34⅝	34⅛	34½	−⅛
6¾	4½	WilshrO				13	5¾	5¾	5¾	
17¾	10¼	Winchl	n.46e	4.0		85	11¾	11⅛	11⅛	−¼
59	42½	WinDix	1.80	3.7	19	189	50¼	48¾	48	−1½
15⅞	9	Winnbg	.40	3.6	16	902	11½	11¼	11¼	−¼
5½	2⅝	Winner				157	3¼	3⅛	3⅛	−⅛
6½	4¾	WinterJ	.16e	3.3	27	34	5	4⅞	4⅞	−⅛
54⅞	45½	WiscEn	2.88	5.8	11	103	49¾	49⅜	49⅜	−⅜
32¼	22¾	WiscE wi				4	25¼	25¼	25¼	
31	25¼	WisG pf	2.55	9.4		3	27	27	27	+¼
60¼	42½	WiscPL	3.04	6.3	12	24	47⅞	47¾	47⅞	+¼
63	42⅝	WiscPS	3	6.5	12	29	46½	45⅞	46½	−¼
47⅞	31⅛	Witco	1.12	2.6	14	142	43¾	42	42⅝	
14	8⅛	WolvrW				306	12⅜	12	12	−⅜
57¾	37	Wlwth	s1.32	2.4	16	1443	55⅝	54⅛	54⅝	−⅝
161	108	Wolw pf	2.20	1.4		1	157	157	157	+1
7¼	2	WrldCp				53	6¼	6⅛	6⅛	
19¾	14⅛	WrldVl n				10	18⅛	18⅛	18⅛	−⅛
54	39⅛	Wrigly	s1.04	1.9	20	89	53⅝	53	53½	−⅜
3⅞	1⅞	Wurltzr				23	2⅜	2½	2½	−⅛
18⅞	11	WyleLb	.32	1.9	34	260	16¾	16⅝	16¾	+¼
24⅞	16	Wynns	.60	3.3	13	37	18⅜	18	18⅛	
X Y Z										
81¼	48⅝	Xerox	3	3.8	19	2452	79¼	78½	78⅞	−⅜
58¾	54⅝	Xerox pf	5.45	9.9		8	54⅞	54½	54⅝	−⅛
28¾	21½	XTRA	.64	2.5		50	25⅞	25½	25¾	
27¼	15	Yorkin			17	60	26⅞	26½	26⅞	+⅜
6	2¼	Zapata				322	4⅜	4⅛	4¼	−⅛
43⅞	20¾	Zayre	.40	1.4	17	5023	28½	27½	27¾	−⅝
14¾	9¾	Zemex	.40	3.1	8	7	13⅛	13	13	−⅜
29¾	16⅞	ZenithE				402	26⅝	26	26¼	
17½	8	ZenLab				402	10⅞	10½	10¾	−⅛
19½	13⅜	Zero	.36	2.2	17	122	16½	16¼	16⅝	+⅛
53⅛	32¾	Zurmin	1.36	2.6	18	85	52¾	52¼	52⅝	−⅛
10⅜	6¾	Zweig	n.10e	1.0		2038	10	9¾	10	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, *rates of dividends are annual disbursements based on the latest declaration.*

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, June 26

OVER-THE-COUNTER

Nasdaq national market, Closing prices, June 26

Continued on Page 43

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Looking towards a weaker dollar and stronger pound

FINANCIAL MARKETS are in the doldrums at present. *This is* hardly surprising, given the lack of any major economic initiatives *at the* Venice summit, and the result of the UK general election.

Underlying fundamentals suggest a long term weakening of the dollar and a probable strengthening of sterling, but the short term picture is more confusing.

Credit Suisse First Boston, in a recent market analysis, commented that the overall impress*ion from the summit was of prog*ress in a positive direction on a wide range of issues, but at a disturbingly slow pace, given the scale *of the problems involved.*

CSFB added that interest rate differentials, trade volumes and fiscal *policies* are moving in a positive direction for the dollar. This will help underpin the US currency *in the short term*, but *the* sheer scale of worldwide imbalances rules out sustained dollar appreciation, and probably requires some depreciation over time.

James Capel is in general agreement. The stockbrokers expect the dollar to fall to DM 1.72 and to Y134 byt the last quarter of 1987, *and to DM 1.67 and* Y125 by the last quarter of next year.

On Friday, Barclays Bank, looking *only at the immediate future*, suggested the present range for the dollar is DM 1.8170 to DM 1.8330, and the general range will remain *DM* 1.80 to *DM* 1.85. Barclays added that the central banks appear to have achieved their objective of relative stability.

In its weekly view of the markets Nomura Research Institute said *there was a disappointing reac*tion from overseas investors in the result of the UK election, but the political and economic scene looks attractive, and funds can be expected to flow into Britain steadily over the next few months.

Nomura *suggests profit-taking* by domestic institutions, and Japanese funds flowing back into US bonds, on the recovery of the *dollar*, have so far discouraged monye moving into gilts.

James Capel has produced a *five-year* UK economic assessment, and attempts to answer the question: is the economy overheating? The answer, according to *Capel, is probably* no, because most of the warning signs are confined to the manufacturing sector, which accounts for only 28 per cent of gross domestic product.

Capel sees little sign of a pick *up in wage settlements, or under*lying inflation, and says unit labour costs have been broadly stable since 1981.

National Westminster Bank suggests the main cloud on the horizon is the monetary situation, but *for the time being it seems under* control.

NatWest, James Capel and CSFB believe there may be a cut in UK bank base rates in the next few months. NatWest says this will depend on sluggish growth in Con*tinental Europe* and an easing of West German monetary policy. Capel comments that sterling's performance holds the key to rate changes.

The main UK economic release this week is likely to be tomorrow's *official reserves*. According to Morgan Grenfell the weakness of the pound in the aftermath of the election will mean a June increase of only $1bn, compared with $4.8bn in May. A survey by Money Market Services suggests an even smaller rise of $500m.

Morgan Grenfell says the level of reserves could be boosted by the unwinding of about $2bn of *currency swaps by the Bank* of England with commercial banks, when the pound was under upward pressure in April and May. But this is likely to wait until the authorities can be confident of selling gilts later this year to *offset the impact on money supply* growth.

£ IN NEW YORK

June 26	Close	Previous Close
£ Spot	1.6105-1.6115	1.6130-1.6140
1 month	0.26-0.24 pm	0.26-0.25 pm
3 months	0.75-0.72 pm	0.75-0.72 pm
12 months	2.35-2.25 pm	2.30-2.23 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	June 26	Previous
8.30 am	72.3	72.3
9.00 am	72.2	72.3
10.00 am	72.2	72.2
11.00 am	72.2	72.2
Noon	72.3	72.2
1.00 pm	72.3	72.2
2.00 pm	72.2	72.2
3.00 pm	72.2	72.2
4.00 pm	72.2	72.2

CURRENCY RATES

June 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.79337	0.703555
U.S. Dollar	5.5	1.2809	1.13519
Canadian $	7.90	*	1.51025
Austrian Sch.	4	N/A	14.5747
Belgian Franc	7½	"	42.9946
Danish Krone	7	"	7.83562
Deutsche Mark	3.0	2.3385	2.07330
Neth. Guilder	4½	N/A	2.33337
French Franc	9½	7.0006	6.91612
Italian Lira	11.5	N/A	1502.87
Japanese Yen	2½	186.88	165.907
Norway Krone	8	N/A	7.59439
Spanish Peseta	—	"	143.374
Swedish Krona	7½	"	7.23340
Swiss Franc	3.5	"	1.72003
Greek Drach.	20½	"	155.653
Irish Punt	—	"	0.774078

*C$/SDR rate for June 25: 1.70342

CURRENCY MOVEMENTS

June 26	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.2	-21.5
U.S. Dollar	102.2	-4.9
Canadian Dollar	77.8	-10.6
Austrian Schilling	137.5	+10.3
Belgian Franc	100.0	-4.4
Danish Krone	92.8	+3.1
Deutsche Mark	146.9	+21.7
Swiss Franc	172.7	+22.8
Guilder	135.1	+14.5
French Franc	71.6	-12.8
Lira	47.1	-18.2
Yen	218.7	+62.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

June 26	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea (Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af. (Cm)	[illegible]	[illegible]
S. Af. (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6110	1.6085	1.6036	1.5980	1.5982
D-mark	2.9425	2.9298	2.9043	2.8683	2.8000
French Fr.	9.8150	9.8096	9.8037	9.8083	9.8191
Swiss Fr.	2.44	2.4305	2.4158	2.3787	2.3199
Yen	235.60	234.58	232.64	229.97	224.49

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.9946	+1.26	+0.76	± 1.5344
Danish Krone	7.85212	7.83562	−0.21	−0.71	± 1.6404
German D-Mark	2.05853	2.07330	+0.72	+0.22	± 1.0981
French Franc	6.90403	6.91612	+0.18	−0.32	± 1.3674
Dutch Guilder	2.31943	2.33337	+0.60	+0.10	± 1.5012
Irish Punt	0.768411	0.774078	+0.74	+0.24	± 1.6684
Italian Lira	1483.58	1502.87	+1.30	+1.29	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 26	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.611	2.943	235.6	9.815	2.440	3.308	2131.	2.147	60.90
$	0.621	1.	1.826	146.3	6.093	1.515	2.053	1323.	1.332	37.80
DM	0.340	0.547	1.	80.07	3.336	0.829	1.124	724.2	0.729	20.70
YEN	4.244	6.838	12.49	1000.	41.66	10.36	14.04	9045.	9.111	258.5
F Fr.	1.019	1.641	2.998	240.0	10.	2.486	3.370	2171.	2.187	62.05
S Fr.	0.410	0.660	1.206	96.56	4.023	1.	1.356	873.4	0.880	24.96
H Fl.	0.302	0.487	0.890	71.23	2.967	0.738	1.	644.3	0.649	18.41
Lira	0.469	0.756	1.381	110.6	4.606	1.145	1.552	1000.	1.007	28.58
C $	0.466	0.751	1.371	109.8	4.573	1.137	1.541	992.8	1.	28.37
B Fr.	1.642	2.645	4.832	386.9	16.12	4.007	5.431	3499.	3.525	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

June 26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8⅞-9⅛	9-9⅛	9-9⅛	9⁵⁄₁₆-9⁷⁄₁₆	9⅜-9½	9½-9⅝
U.S. Dollar	6⅝-6¾	7⅛-7¼	7-7⅛	7⁵⁄₁₆-7⁷⁄₁₆	7⅝-7¾	7¾-7⅞
Can. Dollar	7⅞-8⅛	8-8⅛	8⁵⁄₁₆-8⁷⁄₁₆	8⁹⁄₁₆-8¹¹⁄₁₆	8⅞-9⅛	9⅛-9⅜
D. Guilder	5-5⅛	5³⁄₁₆-5⁵⁄₁₆	5⁵⁄₁₆-5⁷⁄₁₆	5⁵⁄₁₆-5⁷⁄₁₆	5⅜-5½	5⅜-5½
Sw. Franc	1-1½	1⅞-1⅞	4⅛-4⅛	3¹³⁄₁₆-4¹⁄₁₆	3⅞-4	3¹³⁄₁₆-3¹⁵⁄₁₆
Deutschmark	3⁵⁄₁₆-3⁷⁄₁₆	3¹³⁄₁₆-4¹⁄₁₆	3¹¹⁄₁₆-3¹³⁄₁₆	3¹¹⁄₁₆-3¹³⁄₁₆	3⅞-3⅞	3⅞-4
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years 8-8⅛ per cent; three years 8⅜-8½ per cent; four years 8⅝-8¾ per cent; five years 8⅞-9 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

June 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6105-1.6180	1.6105-1.6115	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 61.00-61.10. Six-month forward dollar 1.33-1.28 c pm. 12-month 2.33-2.23c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

June 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Japan	[illegible]	145.50-146.30	146.20-146.30	0.42-0.39y pm	3.35	1.19-1.14 pm	3.19
Austria	[illegible]	12.81¼-12.85	12.83-12.83½	3.60-3.20gro pm	3.18	9.75-8.75 pm	2.88
Switzerland	[illegible]	1.5095-1.5190	1.5140-1.5150	0.58-0.53c pm	4.40	1.20-1.15 pm	3.10

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.85-37.95

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
118	5.37	6.23	0.25	1.19
120	4.00	5.00	0.52	1.60
122	2.42	3.53	1.30	2.49
124	1.41	2.54	2.29	3.50
126	0.56	2.03	3.44	4.63
128	0.32	1.28	5.20	6.24
130	0.17	0.63	7.05	7.59
132	0.08	0.42	8.60	9.38

Estimated volume total, Calls 1,174 Puts 980
Previous day's open int: Calls 24,739 Puts 15,389

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	7.58	7.29	0.08	0.39
86	6.07	5.57	0.21	1.03
88	4.30	4.32	0.44	1.42
90	3.05	3.21	1.19	2.31
92	1.54	2.24	2.04	3.34
94	0.62	1.41	3.12	4.51
96	0.31	1.06	4.45	6.16
98	0.14	0.45	6.28	7.55

Estimated volume total, Calls 75 Puts 13Previous day's open int: Calls 1,628 Puts 587

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last June	Calls-Last July	Puts-Last June	Puts-Last July
21750	18.13	18.99	0.33	1.19
22000	15.83	16.91	0.53	1.61
22250	13.64	24.93	0.84	2.13
22500	11.57	13.08	1.27	2.78
22750	9.65	11.35	1.85	3.55
23000	7.90	9.75	2.60	4.45
23250	6.35	8.31	3.55	5.51
23500	5.00	7.00	4.70	6.70

Estimated volume total, Calls 5 Puts 0Previous day's open int: Calls 145 Puts 62

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last July	Aug	Sept	Dec	Puts—Last July	Aug	Sept	Dec
1.45	—	—	16.35	16.35	—	—	0.04	0.37
1.50	11.35	11.35	11.35	11.35	0.00	0.07	0.25	1.00
1.55	6.35	6.44	6.73	7.44	0.09	0.49	0.99	2.27
1.60	1.99	2.91	3.46	4.53	0.75	1.96	2.72	4.36
1.65	0.31	0.89	1.32	2.54	4.07	4.94	5.57	11.12
1.70	0.14	0.18	0.40	1.28	8.90	9.23	9.66	11.11
1.75	0.01	0.02	0.09	0.58	13.77	14.07	14.35	15.41

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 671 Puts 1,786

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last July	Aug.	Sept.	Dec.	Puts—Last July	Aug.	Sept.	Dec.
1.35	—	—	13.90	13.90	—	—	1.60	2.75
1.40	—	—	17.70	17.90	—	—	1.05	2.10
1.45	—	—	12.70	12.90	—	—	1.50	2.70
1.50	11.40	11.40	11.40	11.60	0.20	0.25	0.55	1.40
1.55	6.40	6.50	6.70	7.50	0.25	0.75	1.25	2.55
1.60	2.05	2.90	3.55	4.65	1.05	2.20	2.90	4.65
1.65	0.55	1.20	1.50	2.70	4.30	5.30	5.90	7.60
1.70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.20
1.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16.50

Previous day's open int: Calls 1,635 Puts 279
Volume: 10

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

THREE-MONTH STERLING
£500,000 points of 100%

FT-SE 100 INDEX
£25 per full index point

THREE-MONTH EURODOLLAR
$1m points of 100%

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

IMM—STERLING $ a per £

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept.	1.6074	1.6100	1.6075	1.6061
Dec.	1.6017	1.6045	1.6045	1.6007
Mar.	1.5967	—	—	1.5958

Estimated volume 43 (145)
Previous day's open int. 695 (204)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

U.S. TREASURY BILLS (IMM)
$1m points of 100%

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
	[illegible]	[illegible]	[illegible]	0.5508
	[illegible]	[illegible]	[illegible]	0.5556
	[illegible]	[illegible]	[illegible]	0.5608

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
	[illegible]	[illegible]	[illegible]	0.6881
	[illegible]	[illegible]	[illegible]	0.6934
	[illegible]	[illegible]	[illegible]	0.6996
	[illegible]	[illegible]	[illegible]	0.7062

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
	[illegible]	[illegible]	[illegible]	92.61
	[illegible]	[illegible]	[illegible]	92.35
	[illegible]	[illegible]	[illegible]	92.14
	[illegible]	[illegible]	[illegible]	91.95
	[illegible]	[illegible]	[illegible]	91.77
	[illegible]	[illegible]	[illegible]	91.59
	[illegible]	[illegible]	[illegible]	91.42
	[illegible]	[illegible]	[illegible]	91.27

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
	[illegible]	[illegible]	[illegible]	310.85
	[illegible]	[illegible]	[illegible]	313.15
	[illegible]	[illegible]	[illegible]	315.30
	[illegible]	[illegible]	[illegible]	—

MONEY MARKETS

Base rates of 8% may be the low

INTEREST RATES in London last week suggested there would be no early change *in UK bank base* rates.

James Capel has decided that movements in sterling hold the key to any future changes in rates, and although several other City analysts appear to believe rates *are likely to fall* before the year, few are prepared to forecast how far the move can go.

Capel says the pound's performance, given the larger than expected Tory majority at the election, has been surprisingly weak. *Swift* intervention by the Bank of England to sell sterling on election night may have deflated hopes of a sharp upward move *in* the pound's value, but Capel indicates further similar intervention *is still* possible.

This may result in a cut of ½ per cent to 8½ per cent in base rates over the next month or so, with 8 per cent regarded as a probable low in the foreseeable future. This is because of the constraint *imposed by concern about the* rate of growth in domestic credit.

Capel indicates that the pound could rise to $1.70 by the end of the year, and is likely to remain around that level against the US currency throughout next year. *Sterling's value against the D-*Mark is forecast to fall to *DM* 2.85 by the end of next year, assuming no membership of the European Monetary System.

National Westminster Bank also said interest rates are likely to *fall, suggesting that inflation, the* balance of payments and public sector borrowing are much more favourable than feared earlier this year.

UK clearing bank base lending rate 9 per cent since May 8

FT LONDON INTERBANK FIXING

(11.00 a.m. June 26) 3 months U.S. dollars		6 months U.S. dollars	
bid 7 1/16	offer 7 3/16	bid 7 3/4	offer 7 7/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and *offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day.* The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	June 26	June 19		June 26	June 19
Bills on offer	£400m	£400m	Top accepted rate of discount	8.7640%	8.7299%
Total of applications	£1,498m	£1,844m	Average rate of discount	8.7617%	8.6232%
Total allocated	£400m	£400m	Average yield	8.96%	8.81%
Minimum accepted bid	£97.815	£97.825	Amount on offer at next tender	£400m	£400m
Allotment at minimum level	77%	20%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	June 26	change		June 26	change
LONDON			**NEW YORK**		
Base rates	9	Unch'd	Prime rates	8¼	Unch'd
7 day Interbank	9	+¼	Federal Funds	6⅝	Unch'd
3-month Interbank	9⅛	+⅛	3 Mth. Treasury Bills	6.02	+0.21
Treasury Bill Tender	8.7617	+0.1385	6 Mth. Treasury Bills	6.40	+0.22
Band 1 Bills	8⅞	Unch'd	3 Mth. C D	7.00	−0.06
Band 2 Bills	8⅞	Unch'd	**FRANKFURT**		
Band 3 Bills	8⅞	—	Lombard	5.0	Unch'd
Band 4 Bills	8⅞	—	One mth. Interbank	3.65	Unch'd
3 Mth. Treasury Bill	8²⁵⁄₃₂	−1/32	Three month	3.675	Unch'd
1 Mth. Bank Bills	8²⁵⁄₃₂	+1/16	**PARIS**		
3 Mth. Bank Bills	8¹³⁄₁₆	Unch'd	Intervention Rate	7¾	Unch'd
TOKYO			One mth. Interbank	8¼	+⅛
One month Bills	3.59375	Unch'd	Three month	8⁵⁄₁₆	+1/16
Three month Bills	3.65625	−0.0625	**MILAN**		
BRUSSELS			One month	11	−¼
One month	6⅝	−⅛	Three month	11	Unch'd
Three month	6¹³⁄₁₆	−1/16	**DUBLIN**		
AMSTERDAM					
One month	5¼	Unch'd	One month	10⅞	−1/16
Three month	5¼	Unch'd	Three month	10⅞	−1/16

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	8¼	One month	5.28	Three year	7.77
Broker loan rate	8	Two month	5.53	Four year	7.94
Fed. funds	6⅝	Three month	5.94	Five year	8.02
Fed funds at intervention	6¾	Six month	6.39	Seven year	8.22
		One year	6.73	10 year	8.34
		Two year	7.53	30 year	8.50

June 26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.50-3.60	3.60-3.70	3.60-3.70	3.60-3.75	3.65-3.80	5.0
Paris	7¹³⁄₁₆-8¹⁄₁₆	8³⁄₁₆-8⁵⁄₁₆	8³⁄₁₆-8⁵⁄₁₆	8¼-8⅜	8½-8⅝	7¾
Zurich	59⅞-60⅛	4⅛-4⅜	—	3-3¼	—	—
Amsterdam	5⅛-5¼	5¼-5⅜	—	5⁷⁄₃₂-5⅜	—	—
Tokyo	3.28125	3.59375	—	3.65625	—	—
Milan	10⅝-11⅛	10¾-11¼	—	10¾-11¼	—	—
Brussels	7.75	6½-6⅝	—	6⅝-6¾	—	—
Dublin	9¾-10	10⅜-10½	10⅜-10½	10⅜-10½	10⅜-10⅝	—

LONDON MONEY RATES

June 26	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9½-8½	9⅛-8⅞	9⅛-9	9³⁄₁₆-9	9³⁄₁₆-9	9⁵⁄₁₆-9⅛
Sterling CDs	—	—	9¹⁄₁₆-8³¹⁄₃₂	9¹⁄₁₆-8³¹⁄₃₂	9¹⁄₁₆-8³¹⁄₃₂	9⁵⁄₁₆-9³⁄₁₆
Local Authority Deposits	9	9	8³¹⁄₃₂	8⅞	9	9⅛
Local Authority Bonds	—	—	9¹⁄₁₆	9¹⁄₁₆	9³⁄₁₆	9¼
Discount M'ket Deposits	9¼-8¾	9	8¾	8⅞	—	—
Company Deposits	9-8	9⅛	9³⁄₁₆-9¹⁄₁₆	9¹⁄₁₆	9⅛	9¼
Finance House Deposits	—	—	9⅛	9⅛	9¼	9⅜
Treasury Bills (Buy)	—	—	8⅞	8²⁵⁄₃₂	—	—
Bank Bills (Buy)	—	—	8³¹⁄₃₂	8¹³⁄₁₆	8²⁵⁄₃₂	—
Fine Trade Bills (Buy)	—	—	9¹⁄₁₆	9¼	9¹⁄₁₆	—
Dollar CDs	—	—	7.15-7.10	7.10-7.05	7.25-7.20	7.60-7.55
SDR Linked Deposits	—	—	6⅛-5⅞	6⅛-6	6⁷⁄₁₆-6³⁄₁₆	6⅝-6½
ECU Linked Deposits	—	—	6⅝-6½	6¹¹⁄₁₆-6⁹⁄₁₆	6¹³⁄₁₆-6¹¹⁄₁₆	7⅛-7

Treasury Bills (sell); one-month 8²⁵⁄₃₂ per cent; three-months 8¾ per cent; Bank Bills (sell): one-*month* 8⅞ per cent; three months 8²⁵⁄₃₂ per cent; Treasury Bills; Average tender rate of discount 8.7617 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 29, 1987. Agreed rates for period June 24 to July 25, 1987, Scheme I: 10.54 p.c., Schemes II & III: 10.12 p.c. Reference rate for period May 1 to May 29, 1987, Scheme IV: 8.873 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ per cent from June 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¼ per cent; three-six months 9 per cent; six-nine months 9⅛ per cent; nine-12 months 9⅛ per cent; Under £100,000 8 per cent from June 24. Deposits withdrawn for cash 5 per cent.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 26th June 1987, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

£200 million 10 per cent TREASURY LOAN, 1993
£200 million 10 per cent CONVERSION STOCK, 1996
£100 million 9 per cent EXCHEQUER STOCK, 2002

The price paid by the Bank on issue was in each case *the middle* market price of the relevant Stock at 3.30 p.m. on 26th June 1987 as certified by the Government Broker.

In addition, Her Majesty's Treasury has created on 26th June 1987, and has issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of the following Stocks:

£150 million 10½ per cent TREASURY CONVERTIBLE STOCK, 1992
£150 million 10½ per cent EXCHEQUER STOCK, 1997

In each case, the amount issued on 26th June 1987 represents a further tranche of the relevant Stock, ranking in all respects *pari passu* with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax are described below.

Application has been made to the Council of The International Stock Exchange for each further tranche of stock to be admitted *to the Official List.*

Copies of the prospectuses for 10 per cent Treasury Loan, 1993 dated 7th February 1986, 10¼ per cent Exchequer Convertible Stock, 1989 *dated* 22nd November 1985 (which contained the terms of issue of 10 per cent Conversion Stock, 1996) and 9 per cent Exchequer Stock, 2002 dated 2nd March 1987 may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA. The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

Stock	*Redemption date*	*Interest payment dates*
10 per cent Treasury Loan, 1993	15th April 1993	15th April, 15th October
10 per cent Conversion Stock, 1996	15th November 1996	15th May, 15th November
9 per cent Exchequer Stock, 2002	19th November 2002	19th May, 19th November

The further tranches of 10 per cent Treasury Loan, 1993 and 10 *per cent Conversion Stock*, 1996 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. The further tranche of 9 per cent Exchequer Stock, 2002 will rank for the interest payment of £5.3672 per cent to be made on 19th November 1987. Official dealings in the Stocks on The International Stock Exchange are expected to commence on Monday, 29th June 1987.

10 per cent Treasury Loan, 1993 and 10 per cent Conversion Stock, 1996 are specified, and 9 per cent Exchequer Stock, 2002 will be specified, under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as gilt-edged securities (under current legislation exempt from tax on capital gains, irrespective of the period for which the Stock is held).

Government statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants *or agents undertake to disclose* tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

26th June 1987